

POUGHKEEPSIE CITY
SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2018

POUGHKEEPSIE CITY SCHOOL DISTRICT

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JUNE 30, 2018

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POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2018. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- In fiscal year 2018, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Implementation of Statement No. 75 requires the District to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The impact to opening net position as of June 30, 2017 was a decrease of \$351,525,379. The prior period adjustment restated opening net position from \$6,684,328 to (\$344,841,051).
- Commencing in 2015, with the adoption of GASB 68, the negative impact of this liability is tempered by the positive overall impact of the Net Position Assets in excess of Pension Liabilities inclusive of the corresponding Deferred Outflows and Inflows in the amount of \$20.46 million.
- On October 29, 2014 an agreement was entered into between The City of Poughkeepsie ("City") and the Board of Education of the Poughkeepsie City School District ("District") for outstanding payments in lieu of taxes ("PILOT") and delinquent taxes owed to the District by the City. There has been issues with collections on these PILOT payments and the District is working with legal counsel to reach an agreement for these delinquent payments.

PILOT Agreements. With respect to the 2017 tax year, the district received PILOT payments from the City of Poughkeepsie in December 2017.

Delinquent Taxes. After the normal tax collection period is elapsed the City of Poughkeepsie is given the delinquent and unpaid tax roll in accordance with the RPTL section 1332. The City is responsible for the collection of taxes after this period. As tax receipts are collected by the City, taxes collected are to be turned over to the district on a monthly basis. Also, the City is required to remit the balance of the unpaid taxes to the School District 2 years after receiving the delinquent tax roll. Total overdue taxes as of year-end were \$1,515,730.

- August 16, 2018, Moody's Investors Service reviewed and updated the credit analysis of the District. While the rating of Baal positive still stands, the outlook has been revised to positive from stable.
- The District's financing for the 2005 \$27 million construction project is financed through 2033 and the State-aid to support these payments will end in 2020. This will present a financial challenge to the District. As a result on December 27, 2017, the District refunded these bonds to offset this burden to the tax payers when the building aid runs out in 2020-2021. The aggregate budgetary savings for the refunding is \$3,064,587.64.

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

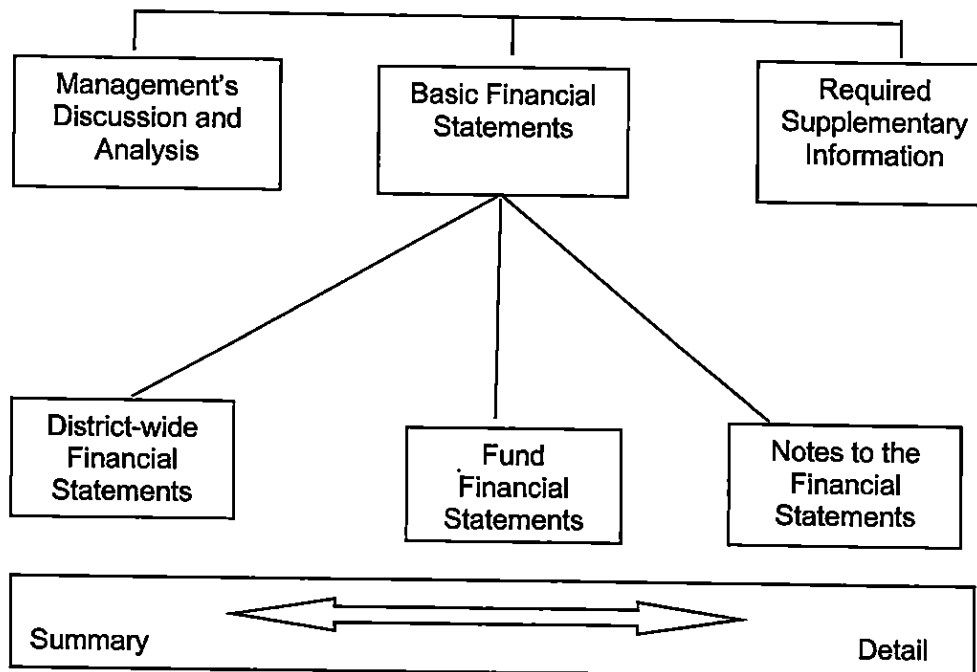
Overview of the Financial Statements

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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the District’s operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District’s most significant funds with all other non-major funds listed in total in one column.
- The *Governmental Funds Statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.



POUGHKEEPSIE CITY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of the District-Wide and Fund Financial Statements			
	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education, cafeteria and transportation expenses.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	Statement of Net Position Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

District-Wide Statements

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

The two district-wide statements report the District's *net position* and how it has changed. A net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Investment in capital assets.
 - Restricted net position is that with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as a fund for scholarship monies) or to show that it is properly using certain revenues (such as federal grants).

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District has two kinds of funds:

- *Governmental Funds:* Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary Funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Financial Analysis of the District as a Whole

Net Assets

The following schedule shows the Net Position for the School District as of June 30, 2018:
Figure A-3

Condensed Statement of Net Position (In Millions of Dollars)

	Governmental and Total School District Activities		
	2018	2017	% Change
<i>Assets</i>			
Current and Other Assets	\$ 18.82	\$ 18.70	0.6%
Receivables, Inventory	9.29	7.80	19.1%
Capital Assets	40.93	42.20	-3.0%
Net Pension Asset-Proportionate Share	1.73	-	100.00%
Total Assets	<u>70.77</u>	<u>68.70</u>	3.0%
Deferred Outflows of Resources	19.74	26.10	-24.37%
Total Assets and Deferred Outflows of Resources	<u>90.51</u>	<u>94.80</u>	-4.5%
<i>Liabilities</i>			
Current Liabilities	6.19	11.84	47.7%
Long-Term Debt	434.69	31.89	-1263.1%
Post Employment Benefits Payable	-	38.98	100.0%
Net Pension Liability-Proportionate Share	-	4.11	100.0%
Total Liabilities	<u>440.88</u>	<u>86.82</u>	-407.8%
Deferred Inflows of Resources	0.43	1.21	64.5%
Total Liabilities and Deferred Inflows of Resources	<u>441.31</u>	<u>88.03</u>	-401.3%
<i>Net Position</i>			
Invested in Capital Assets, Net of Related Debt	11.30	9.67	-16.9%
Restricted	0.95	0.94	-1.1%
Unrestricted	<u>(363.05)</u>	<u>(3.93)</u>	-9137.9%
Total Net Position	<u>\$ (350.80)</u>	<u>\$ 6.68</u>	5351.5%

Note: Assets - Liabilities = Net Position

Note: Totals may not add due to rounding.

- Investment in capital assets decreased primarily due to depreciation expense and an increase in bonds payable.
- The increase in unrestricted net position is primarily due to the increase in other postemployment liability (OPEB) of \$8,630,103.

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Activities/Changes in Net Position

Figure A-4

Change in Net Position from Operating Results (In Millions of Dollars)			
Governmental and Total School District Activities			
	2018	2017	% Change
<i>Revenues</i>			
Program Revenue:			
Charges for Services	\$ 0.14	\$ -	100.0%
Operating Grants and Contributions	13.26	12.90	2.8%
General Revenue:			
Property Taxes & Tax Items	28.05	27.70	1.3%
Use of Money & Property	0.21	0.20	5.0%
State Formula Aid	65.83	63.60	3.5%
Medicaid Reimbursement	0.19	0.20	-5.0%
Food Sales & Surplus	-	0.20	-100.0%
Other	0.94	0.50	88.0%
Premium on Issuance of Refunding Bond	0.72	0.50	44.0%
Total Revenues	<u>109.34</u>	<u>105.80</u>	3.3%
<i>Expenses</i>			
General Support	13.18	8.50	55.1%
Instruction	93.46	87.20	7.2%
Pupil Transportation	4.93	3.50	40.9%
Debt Service	1.01	1.50	-32.7%
Other Expenses	-	-	0.0%
Community Service	0.08	0.10	0.0%
School Lunch Program	2.64	3.60	-26.7%
Total Expenses	<u>115.30</u>	<u>104.40</u>	10.4%
Excess (Deficiency) of Revenues Over Expense			
Increase (Decrease) in Net Position	<u>\$ (5.96)</u>	<u>\$ 1.40</u>	-525.7%

Changes in Net Position

The School District's 2018 revenue was \$109,336,619 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 25% and 60%, respectively, of the total revenue raised (see Figure A-5). The remainder of revenue came from charges for services, operating grants and contributions, nonproperty taxes, other tax items, federal sources, and other miscellaneous sources.

The total cost of all programs and services totaled \$115,300,291. For these expenses, (90%) are predominately for the education; supervision, school lunch program, and transportation of students (see Figure A-6). The School District's administrative and business activities, including debt service accounted for 10% of total costs.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net position decreased during the year by \$5,963,772.

Figure A-5 - Sources of Revenues for Fiscal Year 2018

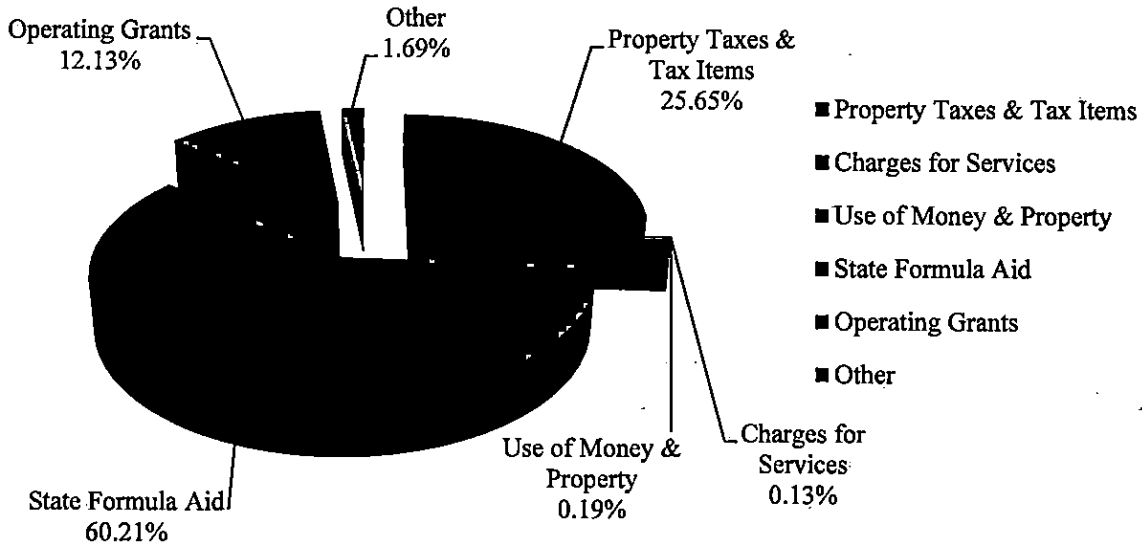
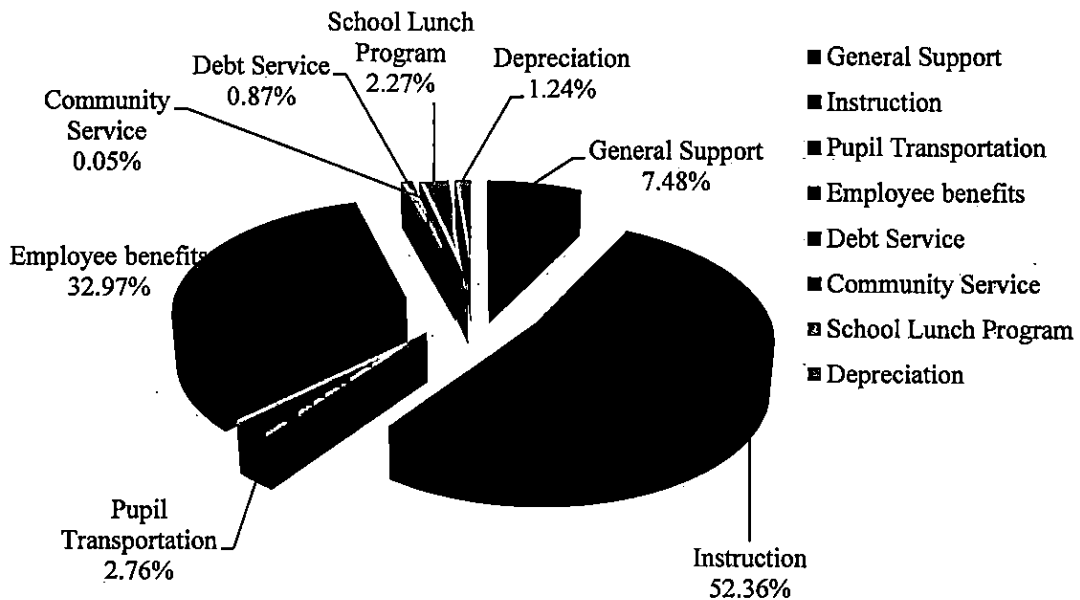


Figure A-6 – Expenses for the Fiscal Year 2018



POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table below presents the cost of eight major District activities: general support, instruction, pupil transportation, community service, employee benefits, debt service, other expense, and School Lunch Program. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-6
Net Cost of Governmental Activities (In Millions of Dollars):

<u>Program Expenses</u>	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>
General Support	\$ 8.6	\$ 8.5	1.2%	\$ 13.2	\$ 8.5	55.3%
Instruction	60.5	61.2	-1.1%	83.5	77.5	7.7%
Pupil Transportation	3.2	3.5	-9.1%	4.8	3.5	37.1%
Community Service	-	0.1	-100.0%	-	0.1	-100.0%
Employee Benefits	38.0	26.0	46.2%	-	-	-
Debt Service - Interest	1.0	1.5	-33.3%	1.0	1.5	-33.3%
Other Expenses	-	-	-	-	-	-
Depreciation	1.4	-	100.0%	-	-	-
School Lunch Program	2.6	3.6	-27.8%	(0.7)	0.2	-450.0%
Total	\$ 115.3	\$ 104.4	10.4%	\$ 101.8	\$ 92.3	10.3%

Note: Totals may not add due to rounding

Governmental Activities

Revenue for the School District's governmental activities totaled \$109,064,928 while total expenses were \$106,873,491. Accordingly, net position increased by \$2,191,174. The increase was primarily the result of the current year increase in state aid.

- The cost of all governmental activities for the year was \$114,643,287.
- The users of the School District's programs financed \$144,273 of the costs.
- The federal and state government financed \$13,259,831 of the costs.
- The majority of the net costs were financed by the School District's taxpayers and unallocated NYS aid.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$16.75 million; a \$1.96 million increase from last year's ending fund balances of \$14.79 million.

Governmental Funds Highlights

The following is a brief description of the activity in the governmental funds for 2018:

- General Fund – The District revenues decreased due to a reduction in State Aid.

POUGHKEEPSIE CITY SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- Special Aid Fund – The District Special Aid Fund revenues decreased primarily due to reduction in revenues from the School Improvement Grants.
- School Lunch Fund – The Food Service Fund is continuing to improve the student’s choice and to provide higher quality food selections, as per our wellness policy guidelines.
- Capital Projects Fund – The District is completing an emergency project for boiler replacement at the Columbus school.
- Debt Service Fund – Refunding of 2005 \$27,000,000 Serial Bond occurred on December 27, 2017. This resulted in an aggregate budgetary savings of \$3,064,587.64

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Figure A-8
Results vs. Budget (In Millions of Dollars)

	Original Budget	Final Budget	Actual	Variance (Actual/Budget)
Revenue:				
Local Sources	\$ 28.66	\$ 28.66	\$ 29.64	\$ 0.98
State Sources	66.63	66.63	65.83	(0.80)
Federal Sources	0.20	0.20	0.19	(0.01)
Transfers In	-	-	0.10	0.10
Designated Fund Balance & Encumbrances	1.26	1.26	-	(1.26)
Total	96.75	96.75	95.76	(0.99)
Expenses				
General Support	8.11	8.50	8.19	(0.31)
Instruction	52.41	52.00	51.65	(0.35)
Pupil Transportation	3.79	3.30	3.18	(0.12)
Community Services	0.23	0.10	0.05	(0.05)
Employee Benefits	27.74	28.30	27.29	(1.01)
Debt Service	0.21	-	-	-
Transfers Out	4.26	4.50	4.05	(0.45)
Total	96.75	96.70	94.41	(2.29)
Revenue over (under) expenditures	\$ -	\$ 0.05	\$ 1.35	\$ 1.30

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The general fund is the only fund for which a budget is legally adopted.

- The General fund had an excess of revenues over expenditures 2018 of \$1,347,196. As a result of this excess, the District's fund balance has increased by this amount. All reserves are within the legal limitations.

Capital Assets and Debt Administration

Capital Assets, Net

As of June 30, 2018, the School District had \$40,929,095 invested in buildings, computers, and other educational equipment. The School District is in the process of constructing a \$17,225,000 construction project to make repairs and renovations to its existing facilities as well as an EPC project to improve energy efficiency District-wide.

The overall capital assets as of June 30, 2018, are given below in Figure A-9.

Figure A-9

Capital Assets (net of depreciation, in millions of dollars)

	Capital Assets	
	2018	2017
Land	\$ 0.1	\$ 0.1
Construction	9.0	9.0
Buildings and Improvements	61.8	61.8
Vehicles	1.1	1.0
Furniture and Equipment	1.8	1.8
Total	73.8	73.7
Less: Accumulated Depreciation	32.9	31.5
Net Capital Assets	\$ 40.9	\$ 42.2

Note: Totals may not add due to rounding

Long-Term Debt

As of **June 30, 2018**, the District had \$74,187,950 in general obligation and other long-term debt outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements. The District, because of its status as a small city school, is limited to issuing debt of no greater than 5% of its full assessed value. Currently, the District is below its debt limit.

POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Figure A-10
Outstanding Long-Term Debt (in Millions of Dollars)

	Total School District	
	2018	2017
General Obligation Bonds & Notes	\$ 26.54	\$ 29.20
Other Long Term Debt	47.64	47.90
Total	\$ 74.18	\$ 77.10

Factors Bearing on the District's Future

- If a Charter School is approved to operate within City limits it will have a negative effect on the finances of the District and its ability to plan for enrollment and staffing levels on an annual basis. There is no prospect of a Charter School.
- As is typical in a district this size, some challenges to property tax assessments are ongoing, which may require the issuance of future tax refunds. The amount of these potential refunds cannot be determined at the present time and are being addressed with the District's legal counsel. They have intervened on the significant cases as necessary. The District has set aside a reserve in preparation for these types of refunds.
- The NYS legislature has imposed a real property tax cap on public school districts, which may fail to acknowledge the true cost of increases in unfunded mandates, employee benefits and rising energy costs. Unless these issues are recognized in any new legislation, school districts will be forced to reallocate funds from instruction to these other areas. The tax levy cap for the next year is a net reduction in tax levy due to the change in capital exclusion. This will result in a challenge to our property tax cap formula and the amount we can raise our tax levy by.
- The current economic climate of New York State and the nation as a whole will continue to diminish the state's ability to adequately fund the public education system. We look forward to some significant changes to the funding structure for public schools. The New York State Association of Business Officials has put together a recommendation to the state to address many of the issues that the schools in NYS are facing.
- As a district that is 73% dependent upon state aid, federal aid, and grants, this lack of funding places enormous pressure on the district's ability to maintain programs at the current level. City school districts that are aid dependent do not make out as well as the surrounding non-city school Districts when it comes to aid increases.
- The District benefits greatly from many Grants that are awarded for improvements in our schools, but it is not meant for supplanting the schools rather to support improvement.

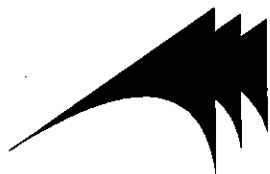
POUGHKEEPSIE CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- The District's Poughkeepsie Middle School is still in receivership and must continue to meet specific targets. The District's management team has been making significant efforts to make the needed improvements.
- Poughkeepsie City School District is a high needs District with 75% of its enrolled students designated economically disadvantaged. This bears a significant strain on the District.
- The district has completed a 5 year building condition survey in the spring of 2016. It has identified significant deficiencies in key building systems that need to be addressed.

Contacting the District's Financial Management

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

Poughkeepsie City School District
Attn: Dawn Cupano
Assistant Superintendent for Finance and Operations
11 College Avenue
Poughkeepsie, NY 12603
(845) 451-4960



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
 Poughkeepsie City School District
 Poughkeepsie, New York

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

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

POUGHKEEPSIE CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 government activities, each major fund, and the aggregate remaining fund information of the Poughkeepsie City School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, revenues, expenditures – budget and actual, funding progress for other post-employment benefits, local government's proportionate share of net pension liability for New York State Employees' Retirement System, schedule of local government's contributions for the New York State Employees' Retirement System, schedule of local government's proportionate share of net pension liability for New York State Teachers' Retirement System and schedule of local government's contributions for the New York State Teachers' Retirement System as listed in the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Poughkeepsie City School District's basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules listed in the table of contents 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

POUGHKEEPSIE CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The Schedule of Change from Adopted Budget to Final Budget and Section 1318 Real Property Tax Law Limit Calculation, Schedule of Project Expenditures – Capital Project Fund, and the Schedule of Net Investment in Capital Assets, Net Related Debt have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A prior period adjustments and correction of error are reflected for the change in accounting principle, adopting GASB No. 75, overstatement of fixed assets and for the General Fund overstated revenues, see Note 14.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, in 2018 the District adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 9, 2018, on our consideration of the Poughkeepsie City School District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Poughkeepsie City School District's internal control over financial reporting and compliance.



Hudson, New York

October 9, 2018

POUGHKEEPSIE CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Cash:	
Unrestricted	\$ 15,636,181
Restricted	1,315,108
Investments:	
Unrestricted	-
Restricted	-
Receivables:	
Taxes	1,515,730
State and Federal Aid	7,023,012
Due from Other Governments	600,967
Due from Fiduciary Funds	6,998
Other	106,131
Inventories	37,599
Deferred Expenditures	-
Prepaid Expenditure	1,870,688
Capital Assets, Net	40,929,095
Net Pension Asset-Proportionate Share	<u>1,727,439</u>
Total Assets	<u>70,768,948</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pension	15,351,875
Deferred Outflows - Contributions Post Measurement	4,389,035
Defeasance Loss	-
Total Deferred Outflows of Resources	<u>19,740,910</u>

LIABILITIES

Payables:	
Accounts Payable	\$ 2,248,197
Accrued Liabilities	1,344,965
Due to Other Governments	2,408,251
Due to Fiduciary Funds	-
Bond Interest and Matured Bonds	104,538
Notes Payable:	
Tax Anticipation	-
Revenue Anticipation	-
Bond Anticipation	-
Deferred Credits:	
Overpayments and Collections in Advance	84,684
Deferred Revenues - Other	-
Deferred Revenues - Planned Balance	-
Long-Term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	2,270,643
Installment Purchase Debt Payable	-
Due to Teachers' Retirement System	4,047,840
Due to Employees' Retirement System	341,194
Compensated Absences Payable	1,178,056
Other Post Employment Benefits Payable	-
Judgements and Claims Payable	-
Other Liabilities	-
Due and Payable After One Year:	
Bonds Payable	27,362,798
BANS Refinanced on a Long-Term Basis	-
Installment Purchase Debt Payable	-
Due to Teachers' Retirement System	-
Due to Employees' Retirement System	-
Compensated Absences Payable	-
Other Post Employment Benefits Payable	398,857,807
Judgements and Claims Payable	-
Net Pension Liability-Proportionate Share	636,298
Other Liabilities	-
Total Liabilities	<u>440,885,271</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Revenues - Other	62,733
Deferred Revenues - Pension	366,678
Sale of Future Revenues	-
Total Deferred Inflows of Resources	<u>429,411</u>

NET POSITION

Net Investment in Capital Assets	11,295,654
Restricted	
Debt Service	49,388
Capital	-
Other Legal Restrictions (Specify)	897,276
Unrestricted	<u>(363,047,140)</u>
Total Net Position	<u>\$ (350,804,823)</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General Support	\$ 8,626,213	\$ 4,562,172	\$ -	\$ -	\$ 13,188,385
Instruction	60,366,349	33,094,110	(3,181)	(9,904,828)	83,552,450
Pupil Transportation	3,184,313	1,738,726	-	(185,853)	4,737,186
Community Service	54,720	28,795	-	-	83,515
Employee Benefits	38,009,985	(38,009,985)	-	-	-
Debt Service	1,006,601	-	-	-	1,006,601
Other Expenses	-	-	-	-	-
Cafeteria Program	2,619,239	19,053	(141,092)	(3,169,150)	(671,950)
Depreciation	<u>1,432,871</u>	<u>(1,432,871)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functions and Programs	<u>115,300,291</u>	<u>-</u>	<u>(144,273)</u>	<u>(13,259,831)</u>	<u>101,896,187</u>
GENERAL REVENUES					
Real Property Taxes					25,375,941
Other Tax Items					2,663,598
Non Property Taxes					-
Use of Money and Property					212,607
Sale of Property and Compensation for Loss					(9,506)
Miscellaneous					951,627
Interfund Revenue					-
State Sources					65,829,134
Federal Sources					-
Medicaid Reimbursement					194,014
Premium on issuance of refunding bonds deposited with escrow agent for refunded bonds					<u>715,000</u>
Total General Revenues					<u>95,932,415</u>
Change in Net Position					(5,963,772)
Total Net Position - Beginning of Year					<u>6,684,328</u>
Prior Period Adjustment - See Note 14					<u>(351,525,379)</u>
Total Net Position - Beginning of Year, as Restated					<u>(344,841,051)</u>
Total Net Position - End of Year					<u>\$ (350,804,823)</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Aid	Non-Major	Governmental Funds
ASSETS				
Cash:				
Unrestricted	\$ 13,969,841	\$ 599,647	\$ 1,066,693	\$ 15,636,181
Restricted	897,276	-	417,832	1,315,108
Investments:				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Receivables:				
Taxes	1,515,730	-	-	1,515,730
Due from Other Funds	7,711,142	-	3,710,008	11,421,150
State and Federal Aid	2,284,457	4,218,478	520,077	7,023,012
Due from Other Governments	600,967	-	-	600,967
Other, Net of Allowance	106,131	-	-	106,131
Inventories	-	-	37,599	37,599
Deferred Expenditures	-	-	-	-
Prepaid Expenditures	1,870,688	-	-	1,870,688
Capital Assets, Net	-	-	-	-
Total Assets	\$ 28,956,232	\$ 4,818,125	\$ 5,752,209	\$ 39,526,566
LIABILITIES				
Payables:				
Accounts Payable	\$ 1,817,301	\$ 430,896	-	\$ 2,248,197
Accrued Liabilities	656,866	16,365	14,730	687,961
Due to Other Funds	3,337,535	3,963,609	4,113,008	11,414,152
Due to Other Governments	2,408,129	-	122	2,408,251
Retainage Payable	-	-	-	-
Bond Interest and Matured Bonds	-	-	-	-
Notes Payable:				
Tax Anticipation	-	-	-	-
Revenue Anticipation	-	-	-	-
Bond Anticipation	-	-	-	-
Unearned Credits:				
Overpayments and Collections in Advance	84,684	-	-	84,684
Planned Balance	-	-	-	-
Long-Term Liabilities:				
Due to Teachers' Retirement System	3,766,583	281,257	-	4,047,840
Due to Employees' Retirement System	232,572	63,265	45,357	341,194
Compensated Absences Payable	-	-	-	-
Other Post Employment Benefits Payable	-	-	-	-
Judgments & Claims Payable	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	12,303,670	4,755,392	4,173,217	21,232,279
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	1,475,730	62,733	-	1,538,463
Sale of Future Revenues	-	-	-	-
Total Deferred Inflows of Resources	1,475,730	62,733	-	1,538,463
FUND BALANCES				
Non-Spendable	1,870,688	-	37,599	1,908,287
Restricted	897,276	-	49,388	946,664
Committed	-	-	-	-
Assigned	1,259,647	-	1,492,005	2,751,652
Unassigned	11,149,221	-	-	11,149,221
Total Fund Balances	15,176,832	-	1,578,992	16,755,824
Total Liabilities and Fund Balances	\$ 28,956,232	\$ 4,818,125	\$ 5,752,209	\$ 39,526,566
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.				\$ 40,929,095
Expenses for the Statement of Activities are accrued for providing public services.				(657,004)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				-
Long-term liabilities, including bonds payable, compensated absences and post-employment benefits, are not due and payable in the current period and therefore are not reported in the funds.				(429,773,842)
Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the funds.				20,465,373
Other - unearned revenues				1,475,730
Net Assets of Governmental Activities				\$ (350,804,823)

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Special Aid	Non-Major	Governmental Funds
REVENUES				
Real Property Taxes	\$ 25,375,941	\$ -	\$ -	\$ 25,375,941
Other Tax Items	3,086,836	-	-	3,086,836
Nonproperty Taxes	-	-	-	-
Charges for Services	3,181	-	-	3,181
Use of Money and Property	207,465	-	1,405	208,870
Sale of Property and Compensation for Loss	14,402	-	-	14,402
Miscellaneous	951,627	-	7,349	958,976
Interfund Revenue	-	-	-	-
State Sources	65,829,134	4,241,446	69,285	70,139,865
Medicaid Reimbursement	194,014	-	-	194,014
Federal Sources	-	5,849,235	2,888,760	8,737,995
Surplus Food	-	-	211,105	211,105
Sales - School Lunch	-	-	133,743	133,743
Total Revenues	95,662,600	10,090,681	3,311,647	109,064,928
EXPENDITURES				
General Support	8,192,915	-	-	8,192,915
Instruction	51,644,371	8,554,743	-	60,199,114
Pupil Transportation	3,183,863	185,853	-	3,369,716
Community Service	54,720	-	-	54,720
Employee Benefits	27,289,777	1,544,890	356,802	29,191,469
Debt Service:				
Principal	-	-	2,168,592	2,168,592
Interest	-	-	1,071,260	1,071,260
Cost of Sales	-	-	2,619,239	2,619,239
Other Expenditures	-	-	-	-
Capital Outlay	-	-	6,466	6,466
Total Expenditures	90,365,646	10,285,486	6,222,359	106,873,491
Excess (Deficiency) of Revenues Over Expenditures	<u>5,296,954</u>	<u>(194,805)</u>	<u>(2,910,712)</u>	<u>2,191,437</u>
OTHER FINANCING SOURCES AND USES				
Proceeds from Bond Issuance	-	-	18,605,000	18,605,000
Premium on Issuance of Refunding Bonds	-	-	1,105,362	1,105,362
Bond Anticipation Note Redeemed from Appropriations	-	-	-	-
Operating Transfers In	99,282	294,087	3,754,952	4,148,321
Operating Transfers (Out)	(4,049,039)	(99,282)	-	(4,148,321)
Payment to Refunded Bond Escrow Agent	-	-	(19,510,886)	(19,510,886)
Cost of Refunding Bond Issuance	-	-	(195,740)	(195,740)
Total Other Sources (Uses)	(3,949,757)	194,805	3,758,689	3,737
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,347,197	-	847,977	2,195,174
Fund Balances - Beginning of Year	<u>14,062,966</u>	<u>-</u>	<u>731,015</u>	<u>14,793,981</u>
Prior Period Adjustment - See Note 14	<u>(233,331)</u>	<u>-</u>	<u>-</u>	<u>(233,331)</u>
Fund Balances - Beginning of Year, as Restated	<u>13,829,635</u>	<u>-</u>	<u>731,015</u>	<u>14,560,650</u>
Fund Balances - End of Year	\$ 15,176,832	\$ -	\$ 1,578,992	\$ 16,755,824

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
RECONCILIATION OF NET CHANGE IN GOVERNMENTAL FUND
BALANCES TO GOVERNMENTAL ACTIVITIES CHANGE IN NET POSITION
JUNE 30, 2018

Total net changes in fund balances - governmental funds \$ 2,195,174

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

Revenues for the Statement of Activities are accrual based on entitlement to funds. The governmental funds only accrue receivables to the extent they are deemed available per the revenue recognition policy. (423,238)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

	Depreciation Expense	\$ (1,432,871)	
	Loss on Disposition	(23,908)	
	Capital Outlays	<u>248,340</u>	(1,208,439)

In the Statement of Activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement) and retirees' health insurance--are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). (8,469,838)

Premium received on advance refunding deposited with escrow agent toward principal on refunded bond results in recognized income on entity-wide statements. 715,000

Expenses for the Statement of Activities are accrued for providing public services. (657,004)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 2,168,592

governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of accrued interest on bonds, leases, and contracts payable. 64,659

(Increases) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	(504,992)
Employees' Retirement System	<u>156,314</u>

Change in net position of governmental activities. \$ (5,963,772)

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash:				
Unrestricted	\$ 15,636,181	\$ -	\$ -	\$ 15,636,181
Restricted	1,315,108	-	-	1,315,108
Investments:				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Receivables:				
Taxes	1,515,730	-	-	1,515,730
Due from Other Funds	11,421,150	-	(11,414,152)	6,998
State and Federal Aid	7,023,012	-	-	7,023,012
Due from Other Governments	600,967	-	-	600,967
Other	106,131	-	-	106,131
Inventories	37,599	-	-	37,599
Deferred Expenditures	-	-	-	-
Prepaid Expenditures	1,870,688	-	-	1,870,688
Capital Assets, Net	-	40,929,095	-	40,929,095
Net Pension Asset-Proportionate Share	-	1,727,439	-	1,727,439
Total Assets	39,526,566	42,656,534	(11,414,152)	70,768,948
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	-	15,351,875	-	15,351,875
Deferred Outflows - Contributions Post Measurement	-	4,389,035	-	4,389,035
Defeasance Loss	-	-	-	-
Total Deferred Outflows of Resources	-	19,740,910	-	19,740,910
Total Assets and Deferred Outflows of Resources	\$ 39,526,566	\$ 62,397,444	\$ (11,414,152)	\$ 90,509,858
LIABILITIES				
Payables:				
Accounts Payable	\$ 2,248,197	\$ -	\$ -	\$ 2,248,197
Accrued Liabilities	687,961	657,004	-	1,344,965
Due to Other Funds	11,414,152	-	(11,414,152)	-
Due to Other Governments	2,408,251	-	-	2,408,251
Bond Interest and Matured Bonds	-	104,538	-	104,538
Notes Payable:				
Tax Anticipation	-	-	-	-
Revenue Anticipation	-	-	-	-
Bond Anticipation	-	-	-	-
Deferred Credits:				
Overpayments and Collections in Advance	84,684	-	-	84,684
Planned Balance	-	-	-	-
Long-Term Liabilities:				
Bonds Payable	-	29,633,441	-	29,633,441
Installment Purchase Debt Payable	-	-	-	-
Due to Teachers' Retirement System	4,047,840	-	-	4,047,840
Due to Employees' Retirement System	341,194	-	-	341,194
Compensated Absences Payable	-	1,178,056	-	1,178,056
Other Post Employment Benefits Payable	-	398,857,807	-	398,857,807
Judgments & Claims Payable	-	-	-	-
Net Pension Liability-Proportionate Share	-	636,298	-	636,298
Other Liabilities	-	-	-	-
Total Liabilities	21,232,280	431,067,144	(11,414,152)	440,885,271
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Other	1,538,463	-	(1,475,730)	62,733
Deferred Revenues - Pension	-	366,678	-	366,678
Sale of Future Revenues	-	-	-	-
Total Deferred Inflows of Resources	1,538,463	366,678	(1,475,730)	429,411
FUND BALANCE/NET POSITION				
Total Fund Balance/Net Position	16,755,825	(369,036,378)	1,475,730	(350,804,823)
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	\$ 39,526,566	\$ 62,397,444	\$ (11,414,152)	\$ 90,509,858

See independent auditor's report and notes to financial statements.

Note: Totals may not add due to rounding.

POUGHKEEPSIE CITY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Statement of Activities Totals
REVENUES					
Real Property Taxes	\$ 25,375,941	\$ -	\$ -	\$ -	\$ 25,375,941
Other Tax Items	3,086,836	(423,238)	-	-	2,663,598
Non-Property Taxes	-	-	-	-	-
Charges for Services	3,181	-	-	-	3,181
Use of Money and Property	208,870	-	-	3,737	212,607
Sale of Property and Compensation for Loss	14,402	-	(23,908)	-	(9,506)
Miscellaneous	958,976	-	-	-	958,976
Interfund Revenue	-	-	-	-	-
State Sources	70,139,865	-	-	-	70,139,865
Medicaid Reimbursement	194,014	-	-	-	194,014
Federal Sources	8,737,995	-	-	-	8,737,995
Surplus Food	211,105	-	-	-	211,105
Sales - School Lunch	133,743	-	-	-	133,743
Total Revenues	<u>109,064,928</u>	<u>(423,238)</u>	<u>(23,908)</u>	<u>3,737</u>	<u>108,621,519</u>
EXPENDITURES/EXPENSES					
General Support	8,192,915	433,298	-	-	8,626,213
Instruction	60,199,114	223,706	(56,471)	-	60,366,349
Pupil Transportation	3,369,716	-	(185,403)	-	3,184,313
Community Service	54,720	-	-	-	54,720
Employee Benefits	29,191,469	8,818,516	-	-	38,009,985
Debt Service	3,239,852	-	-	(2,233,251)	1,006,601
Cost of Sales	2,619,239	-	-	-	2,619,239
Other Expenditures/Expenses	-	-	-	-	-
Capital Outlay	6,466	-	(6,466)	-	-
Depreciation	-	-	1,432,871	-	1,432,871
Total Expenditures/Expenses	<u>106,873,491</u>	<u>9,475,520</u>	<u>1,184,531</u>	<u>(2,233,251)</u>	<u>115,300,291</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>2,191,437</u>	<u>(9,898,758)</u>	<u>(1,208,439)</u>	<u>2,236,988</u>	<u>(6,678,772)</u>
OTHER SOURCES AND USES					
Proceeds from Refunding Bonds	18,605,000	-	-	(18,605,000)	-
Premium on Issuance of Refunding Bonds	1,105,362	-	-	(390,362)	715,000
Bond Anticipation Note Redeemed from Appropriations	-	-	-	-	-
Operating Transfers In	4,148,321	(4,148,321)	-	-	-
Operating Transfers (Out)	(4,148,321)	4,148,321	-	-	-
Payment to Refunded Bond Escrow Agent	(19,510,886)	-	-	19,510,886	-
Cost of Refunding Bond Issuance	(195,740)	-	-	195,740	-
Total Other Sources (Uses)	<u>3,737</u>	<u>-</u>	<u>-</u>	<u>711,263</u>	<u>715,000</u>
Net Change for the Year	<u>\$ 2,195,174</u>	<u>\$ (9,898,758)</u>	<u>\$ (1,208,439)</u>	<u>\$ 2,948,251</u>	<u>\$ (5,963,772)</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Private Purpose Trusts	Agency
ASSETS		
Cash	\$ 30,798	\$ 30,509
Accounts Receivable	-	-
Due from Other Funds	-	-
Prepaid Expenditures	-	-
	\$ 30,798	\$ 30,509
LIABILITIES		
Due to Other Funds	\$ -	\$ 7,000
Extraclassroom Activity Balances	-	21,755
Other Liabilities	-	1,754
	-	\$ 30,509
NET POSITION		
Reserved for Scholarships	\$ 30,798	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trusts
ADDITIONS:	
Contributions	\$ 9,050
Interest	-
Total Additions	9,050
DEDUCTIONS:	
Scholarships and Awards	8,900
Change in Net Position	150
Net Position - Beginning of Year	40,898
Prior Period Adjustment - See Note 13	(10,250)
Net Position - Beginning of Year Restated	30,648
Net Position - End of Year	\$ 30,798

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Reporting Entity:

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB No. 14 and No. 39* and GASB Statement 80 - *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

-- Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management.

See independent auditor’s report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an Agency Fund.

B. Joint Venture:

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

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

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

During the year, the District was billed \$8,157,865 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,335,483.

The basic financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation:

I. District-Wide Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

II. Fund Financial Statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

a. General Fund:

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

b. Special Aid Fund:

Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

The District reports the following non-major governmental funds:

Special Revenue Funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

a. School Lunch Fund:

School Lunch Fund is used to account for transactions of lunch, breakfast, snack and dinner programs.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Capital Projects Funds:

These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

c. Debt Service Fund:

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

The District reports the following fiduciary funds:

These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used.

a. Private Purpose Trust Funds:

These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

b. Agency Funds:

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

D. Measurement Focus and Basis of Accounting:

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year, including real property taxes.

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

E. Cash (and Cash Equivalents) and Investments:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposits not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts. Investments are stated at fair value.

F. Property Taxes:

- I. Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien by September 1. Taxes are collected during the period September 15 to December 5.

The City and County in which the District is located enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be reported to the City by January 1.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

All amounts receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred revenues offset related property taxes receivable.

- II. In June of 2011, New York State passed Chapter 97 of the Laws of 2011 (Tax Cap Law). This law applies to all local governments in New York State. The Tax Cap Law restricts the amount of real property taxes that may be levied by the District in a particular year, beginning with the 2012 fiscal year.

The growth in annual levy is limited to the lesser of two percent or annual change in the national unadjusted Consumer Price Index for All Urban Consumers – All Items (CPI-U), subject to certain limited exceptions and adjustments.

G. Accounts Receivable:

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

H. Inventories and Prepaid Items:

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

I. Interfund Transactions:

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

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Permanent transfers of funds include the transfer of expenditure and revenues to provide financial or other services. In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds).

Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

J. Other Assets/Restricted Assets:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

K. Capital Assets:

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

Capitalized threshold (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$5,000	Straight-Line	50 Years
Building Improvements	\$5,000	Straight-Line	15-20 Years
Land Improvements	\$5,000	Straight-Line	20 Years
Furniture and Equipment	\$5,000	Straight-Line	5-15 Years

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Deferred Outflows and Inflows of Resources:

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

The government has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS Systems) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

M. Vested Employee Benefits:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability in the district-wide financial statements. The compensated absences liability is calculated based on the rates in effect at year-end as defined in the contractual bargaining agreement.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you go basis.

N. Other Benefits:

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with various employment contracts. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District and have completed 10 years of continuous service. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. Some costs of providing post-retirement benefits are shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of the insurance premiums as expenditure or operating transfer to other funds in the General Fund in the year paid.

O. Unearned Revenue:

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

P. Restricted Resources:

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

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Q. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

R. Short-Term Debt:

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

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

S. Accrued Liabilities and Long-Term Obligations:

Payables, accrued liabilities, and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

T. Equity Classifications:

I. District-Wide Statements:

In the District-wide statements there are three classes of net assets:

- a. *Investment in Capital Assets, Net of Related Debt* – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.
- b. *Restricted Net Position* – reports net position when constraints placed on the position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* – reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

II. Fund Statements:

In the fund basis statements there are five classifications of fund balance:

- a. *Non-Spendable Fund Balance* – includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.
- b. *Restricted* – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

1. Capital/Technology (*not currently utilized*):

According to Education Law §3651, restricted fund balances must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters.

The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve if accounted for in the General Fund under Restricted Fund Balance.

2. Debt Service:

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement.

3. Employee Benefit Accrued Liability (*not currently utilized*):

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

4. Insurance (*not currently utilized*):

According to General Municipal Law §6-n, the Insurance Reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

5. Liability Claims and Property Loss:

According to Education Law §1709(8) (c), this reserve fund must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000.

6. Repairs (*not currently utilized*):

According to General Municipal Law §6-d, must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.

7. Retirement Contributions (*not currently utilized*):

According to General Municipal Law §6-r, this reserve fund must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

8. Tax Certiorari:

According to Education Law §3651.1-a, this reserve fund must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

9. Unemployment Insurance:

According to General Municipal Law §6-m, this reserve fund must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

10. Workers' Compensation (*not currently utilized*):

According to General Municipal Law §6-j, this reserve fund must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

11. Tax Reduction(*not currently utilized*):

According to Education Law §1604(36), 1709(37), this reserve fund is available to retain the proceeds from the sale of school district real property that are not needed to pay any debts, and gradually use such proceeds to reduce real property taxes over a period not to exceed ten years.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted fund balance includes the following:

General Fund:	
Unemployment Insurance	\$ 219,344
Tax Certiorari	420,093
Property Loss and Liability Reserve	<u>257,839</u>
	897,276
Debt Service Fund:	
Debt Service	<u>49,388</u>
Total Restricted Funds	<u>\$ 946,664</u>

- c. *Committed* – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2018.
- d. *Assigned* – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$0. Assigned to the reduction of the 2017-2018 tax levy is an additional \$1,259,647.
- e. *Unassigned* – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District’s budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

III. Order of Use of Fund Balance:

The District’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

See independent auditor’s report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

U. New Accounting Standards:

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standards issued by GASB:

-- GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, effective for reporting periods beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for other post-employment benefits (OPEB) plans.

-- GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for reporting periods beginning after December 15, 2016. This Statement supersedes Question 7.72.11 of Implementation Guide No. 2015-1. In addition, this Statement amends Paragraph 13 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; Paragraph 5 of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Paragraphs 16, 18, 22, 92, and 107 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; and Paragraph 24 of Statement No. 67, *Financial Reporting for Pension Plans*.

--The GASB has issued Statement No. 85, *Omnibus 2017*, which seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, with earlier application encouraged.

--The GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, which finalizes Exposure Draft (ED) No. 19-25E of the same name, and seeks to (1) improve consistency in accounting and financial reporting for certain debt extinguishments and (2) enhance the decision-usefulness of such information. The requirements of Statement No. 86 are effective for reporting periods beginning after June 15, 2017, with earlier application encouraged.

V. Future Changes in Accounting Standards:

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for reporting periods beginning after June 15, 2018.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The GASB has issued Statement No. 84, *Fiduciary Activities*, which finalizes Exposure Draft No. 3-13E of the same name, and establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, with earlier application encouraged.

The GASB has issued Statement No. 87, *Leases*, which finalizes Exposure Draft (ED) No. 3-24E of the same name, and establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

The GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which finalizes Exposure Draft (ED) No. 3-30, and seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, with earlier application encouraged.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS:

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

A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities:

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

See the Reconciliation on Pages 6 and 9 of the financial statement.

- The costs of building and acquiring capital assets (lands, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED):

However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. See *Note 6 – Capital Assets* in these notes to the financial statements for information on the net capital assets of \$40,929,095.

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds and Notes Payable	\$ 29,633,441
Compensated Absences Payable	1,178,056
Other Post-Employment Benefits Payable	<u>398,857,807</u>
	<u>\$ 429,669,304</u>

Accrued interest on long-term debt is reported in the Statement of Net Position, regardless of when due. In the Governmental Funds, interest is not reported until it is due.

Bond Interest Payable	<u>\$ 104,538</u>
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Pension Differences:

Pension differences occur as a result of the changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

Pension Asset - TRS	\$ 1,727,439
Deferred Outflows - TRS	15,351,875
Deferred Outflows - TRS Contribution	4,047,841
Deferred Outflows - ERS Contribution	341,194
Deferred Inflows - ERS	(366,678)
Pension Liability - ERS	<u>(636,298)</u>
	<u>\$ 20,465,373</u>

OPEB Differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

Plan Deferred Inflows	<u>\$ -</u>
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See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUNDS STATEMENTS AND DISTRICT-WIDE STATEMENTS (CONTINUED):

B. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories:

I. Long-Term Revenue/Expense Differences:

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

II. Capital Related Differences:

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

III. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position. These reconciliations can be found on Pages 8 and 10 of the financial statements.

IV. Pension Differences:

Pension differences occur as a result of changes in the District’s proportion of the collective net pension asset/liability and differences between the District’s contributions and its proportionate share of the total contributions to the pension systems.

V. OPEB Differences:

OPEB differences occur as a result of changes in the District’s total OPEB liability and differences between the District’s contributions and OPEB expense.

See independent auditor’s report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES:

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB Expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note 10 and 14 for the financial statement impact of the implementation of the statement.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgetary Procedures and Budgetary Accounting:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

-- General Fund

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations will lapse at the end of the fiscal year unless expended or encumbered.

Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists, which was not determined at the time the budget was adopted.

Supplemental appropriations occurred during the year and are detailed below:

CHANGED FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 96,747,054
Prior Year's Encumbrances	-
Original Budget	<u>96,747,054</u>
Budget Revisions	<u>-</u>
Final Budget	<u>\$ 96,747,054</u>

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

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

Special Revenue Funds have not been included in the comparison because they do not have legally authorized (appropriated) budgets.

Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's votes.

The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the project.

B. Encumbrances:

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

- C. The District's unreserved undesignated fund balance was in excess of New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District intends to take actions to pursue this issue.

NOTE 5 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS:

Cash:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 5 – CASH AND CASH EQUIVALENTS – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS (CONTINUED):

As of June 30, 2018 \$-0- of the District's bank balance of \$20,545,033 was exposed to custodial credit risk as follows:

Uncollateralized	\$ <u> </u> -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u> </u> -

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end include \$1,315,108 within the governmental funds and \$-0- in the fiduciary funds.

NOTE 6 – CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	Restated Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital Assets that are Not Depreciated:				
Land	\$ 146,072	\$ -	\$ -	\$ 146,072
Construction in Progress	8,955,807	-	-	8,955,807
Total Non-Depreciable Historical Cost	<u>\$ 9,101,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,101,879</u>
Capital Assets that are Depreciated:				
Building and Improvements - Restated	\$ 61,783,477	\$ 57,937	\$ -	\$ 61,841,414
Machinery and Equipment - Restated	1,745,652	5,000	-	1,750,652
Vehicles	998,372	185,403	43,469	1,140,306
Total Depreciable Historical Cost	<u>\$ 64,527,501</u>	<u>\$ 248,340</u>	<u>\$ 43,469</u>	<u>\$ 64,732,372</u>
Less Accumulated Depreciation:				
Building and Improvements - Restated	\$ 29,600,235	\$ 1,205,201	\$ -	\$ 30,805,436
Machinery and Equipment - Restated	1,226,707	151,855	-	1,378,562
Vehicles	664,904	75,815	19,561	721,158
Total Accumulated Depreciation	<u>\$ 31,491,846</u>	<u>\$ 1,432,871</u>	<u>\$ 19,561</u>	<u>\$ 32,905,156</u>
Total Depreciable Historical Cost, Net	<u>\$ 33,035,655</u>	<u>\$ (1,184,531)</u>	<u>\$ 23,908</u>	<u>\$ 31,827,216</u>

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED):

Depreciation Expense was Charged to Governmental Functions as Follows:	
General Support	\$ 22,853
Instruction	1,327,900
Transportation	63,065
Cafeteria	19,053
	<u>\$ 1,432,871</u>

NOTE 7 – LONG-TERM DEBT:

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

Interest Paid	\$ 1,071,261
Less Interest Accrued in the Prior Period	(169,197)
Plus Interest Accrued in the Current Period	<u>104,538</u>
Total Expense	<u>\$ 1,006,602</u>

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

	Restated Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government Activities:					
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	\$ 29,150,000	\$ 18,605,000	\$ 21,210,000	\$ 26,545,000	\$ 1,965,000
Total Bonds Payable	<u>29,150,000</u>	<u>18,605,000</u>	<u>21,210,000</u>	<u>26,545,000</u>	<u>1,965,000</u>
Other Liabilities:					
Energy Performance Contract	3,367,034	-	278,592	3,088,442	305,643
Compensated Absences	1,338,321	-	160,265	1,178,056	-
Other Post-Employment Benefits - Restated	390,227,704	8,630,103	-	398,857,807	-
Teachers' Retirement System	4,214,993	4,047,841	4,214,993	4,047,841	4,047,841
Employees' Retirement System	202,890	341,194	202,890	341,194	341,194
Total Other Liabilities	<u>399,350,942</u>	<u>13,019,138</u>	<u>4,856,740</u>	<u>407,513,340</u>	<u>4,694,678</u>

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED):

The following is a summary of the maturity of long-term indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at 06/30/18
Serial Bonds:				
Reconstruction	1/24/2012	6/15/2028	1.6-4.875%	\$ 3,390,000
Reconstruction	6/22/2012	6/15/2028	2.0-3.5%	2,850,000
Addition/Reconstruction	6/22/2016	6/15/2031	2.1185%	2,760,000
Refunding - Addition/Reconstruction	5/1/2018	5/1/2033	2.8964%	17,545,000
				<u>\$ 26,545,000</u>
Lease Financing:				
Energy Performance Contract	9/1/2011	6/15/2027	3.47%	\$ 2,708,983
Energy Performance Contract	6/15/2015	6/15/2024	3.15%	379,459
				<u>\$ 3,088,442</u>

The following is a summary of maturing debt service requirements:

	Bonds			Lease Financing			Total
	Bonds	Interest	Total	Financing	Interest	Total	
2019	\$ 1,965,000	\$ 878,426	\$ 2,843,426	2019	\$ 305,643	\$ 110,101	\$ 415,744
2020	2,025,000	810,636	2,835,636	2020	316,577	99,168	415,745
2021	1,825,000	762,312	2,587,312	2021	327,903	87,842	415,745
2022	1,860,000	716,372	2,576,372	2022	339,636	76,109	415,745
2023	1,900,000	668,854	2,568,854	2023	351,790	63,955	415,745
2024-2028	9,785,000	2,432,198	12,217,198	2024-2028	1,446,893	125,302	1,572,195
2029-2033	7,185,000	730,874	7,915,874	2029-2033	-	-	-
	<u>\$ 26,545,000</u>	<u>\$ 6,999,672</u>	<u>\$ 33,544,672</u>		<u>\$ 3,088,442</u>	<u>\$ 562,477</u>	<u>\$ 3,650,919</u>

NOTE 8 – INTERFUND BALANCES AND ACTIVITY:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 7,711,141	\$ 3,337,535	\$ 99,282	\$ 4,049,039
Non-Major Funds	3,710,008	8,076,615	4,049,039	99,282
Total Government Activities	11,421,149	11,414,149	4,148,321	4,148,321
Fiduciary Agency Fund	-	7,000	-	-
Totals	<u>\$ 11,421,149</u>	<u>\$ 11,421,149</u>	<u>\$ 4,148,321</u>	<u>\$ 4,148,321</u>

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 8 – INTERFUND BALANCES AND ACTIVITY (CONTINUED):

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

In the normal course of its operations, the District budgets for and transfers monies between funds for these budgeted purposes. From the General Fund these represent transferring the District's 20% share of the Special Aid Fund's Summer Handicapped Program and transfers to the Capital Fund for voter authorized capital items such as construction and bus purchases.

Additional loans will occur between funds to mitigate the effects of cash flow, such as in the Special Aid Fund where-in project advances generally do not keep pace with costs and General Fund has to "loan" cash dollars to run the programs. In the case of the Capital Fund, loans will occur in advance of obtaining the final funding through bond proceeds. In addition, in the case of the Capital Fund, interest earned on borrowed funds becomes payable to the Debt Service Fund for the future reduction of debt service payments. In the case of the Agency Fund, most if not all, fringe benefits are advanced from the General Fund and result in the need to reflect a due from both the Special Aid Fund and the School Lunch Fund for the applicable payroll.

All interfund payables are expected to be repaid within one year.

NOTE 9 – PENSION PLANS:

A. General Information:

The District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing, multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Plan Descriptions and Benefits Provided:

I. Teachers' Retirement System (TRS):

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

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. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by refer to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

II. Employees' Retirement System (ERS):

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies:

The Systems are noncontributory except for employees who joined after July 26, 1976, who contribute 3% of their salary for the first 10 years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

Contributions for the current year and two preceding years were equal to 100 percent of the actuarially determined contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2017-2018	\$ 817,818	\$ 4,047,841
2016-2017	\$ 807,441	\$ 4,214,993
2015-2016	\$ 806,068	\$ 6,462,157

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57, and 105.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net position asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	3/31/2018	6/30/2017
Net Pension Asset/(Liability)	\$ (636,298)	\$ 1,727,439
District's Portion of the Plan's Total		
Net Pension Asset/(Liability)	0.0191520%	0.227265%

For the year ended June 30, 2018, the District's recognized pension expense (credit) of \$799,808 for ERS and of \$4,558,965 for TRS. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 226,947	\$ 1,421,258	\$ 187,541	\$ 673,509
Changes of Assumptions	421,918	17,577,032	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	924,173	-	1,824,225	4,068,619
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	192,830	1,277,223	120,780	181,510
District's Contributions Subsequent to the Measurement Date	<u>341,194</u>	<u>4,047,841</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,107,062</u>	<u>\$ 24,323,354</u>	<u>\$ 2,132,546</u>	<u>\$ 4,923,638</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	TRS
Year Ended:		
2019	\$ 166,768	\$ 615,726
2020	109,326	4,866,321
2021	(453,532)	3,543,837
2022	(189,240)	1,042,117
2023	-	3,534,155
Thereafter	<u>-</u>	<u>1,749,718</u>
	<u>\$ (366,678)</u>	<u>\$ 15,351,874</u>

D. Actuarial Assumptions:

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

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

	ERS	TRS
Measurement Date	March 31, 2018	June 30, 2017
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Interest Rate	7.00%	7.25%
Salary Scale	3.80%	4.72%-1.90%
Decrement Tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation Rate	2.50%	2.50%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long term rate of return on pension plan investments was determined using a building block method in which the best estimate ranges of expected future real rates of return (expected returns net of investment expense 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 each of the target asset allocation percentages and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

Measurement Date	ERS	ERS	TRS	TRS
	March 31, 2018	March 31, 2018	June 30, 2017	June 30, 2017
Asset Type	Target	Long Term Expected Real	Target	Long Term Expected Real
	Allocation	Rate of Return	Allocation	Rate of Return
Domestic Equity	36%	4.55%	35%	6.10%
International Equity	14%	6.35%	18%	7.40%
Private Equity	10%	7.50%	8%	9.00%
Real Estate	10%	5.55%	11%	4.30%
Alternative Investments	5%	3.75% - 5.68%	0%	0.00%
Total Equities	75%		72%	
Domestic Fixed Income Securities	0%	0.00%	16%	1.60%
Global Fixed Income Securities	0%	0.00%	2%	1.30%
Real Assets	3%	5.29%	0%	0.00%
Bonds and Mortgages	17%	1.31%	8%	2.80%
Short-Term	1%	-0.25%	1%	0.60%
Inflation-Indexed Bonds	4%	1.25%	1%	3.90%
Total Fixed Income	25%		28%	
Total	100%		100%	

E. Discount Rate:

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

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

F. Sensitivity of the Proportionate Share of the Net Pension to the Discount Rate Assumption:

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

	1% Decrease (6.0%)	Assumption (7.0%)	1% Increase (8.0%)
ERS			
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,814,406	\$ 636,298	\$ (2,898,213)
		Current Assumption	
TRS	1% Decrease (6.5%)	(7.5%)	1% Increase (8.5%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 29,758,665	\$ (1,727,439)	\$ (28,095,489)

G. Pension Plan Fiduciary Net Position:

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

	(Dollars in Thousands)	
	ERS	TRS
Valuation Date	4/1/2017	6/30/2017
Employer's Total Pension Liability	\$ 183,400,590	\$ 114,708,261
Plan Net Position	(180,173,145)	(115,468,360)
Employer's Net Pension Liability/(Asset)	\$ 3,227,445	\$ (760,099)
Plan Net Position as a percentage to the Systems' Total Pension Liability/(Asset)	98.24%	100.66%

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 – PENSION PLANS (CONTINUED):

H. Payables to the Pension Plan:

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018, amounted to \$341,194.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the System in September, October and November 2017 through a state aid intercept. 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 employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018, amounted to \$4,047,480.

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	449
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	<u>503</u>
	<u>952</u>

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

B. Total OPEB Liability

The District’s total OPEB liability of \$398,857,807 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%		
Salary Increases	3.00%, average, including inflation		
Discount Rate	3.50%		
Healthcare Cost Trend Rates		Year	Pre-65
Year 1 Trend		July 1, 2019	8.00%
Ultimate Trend		July 1, 2025 & later	5.00%
Grading Per Year			0.50%
			Post-65
			8.00%
			5.00%
			0.50%

Retirees' Share of Benefit-Related Costs

Retiree contributions vary based on class of employees. Contribution rates are based on a percentage of premium. Contribution rates are established based on the plan with all employees receiving 100% company subsidy (or 0% retiree contribution) for single and family coverage. For clerical employees hired after July 1, 1989, the company subsidy is 100% for singles and 0% for dependents (cost of dependents is retire-pay-all), For administrative personnel retiring on or after September 18, 2017, the retiree contribution schedule for future retirees will be as follows:

	Contribution Rate % for
Years of Service	Single & Family
5 to 7	50%
8 to 11	When Last Active (14.5%)
12 or more	0%

The discount rate was based on S&P Municipal Bond 20 year High Grade Rate Index.

Mortality rates were based on the RP 2014 Healthy Male and Female Table, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

See independent auditor’s report.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

C. Changes in the total OPEB Liability

Balance at June 30, 2017		\$ 390,227,704
Changes for the Year:		
Service Cost		3,959,887
Interest		13,503,389
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		-
Changes in Assumptions or Other Inputs		-
Benefit Payments		<u>(8,833,173)</u>
Net Changes		<u>8,630,103</u>
 Balance at June 30, 2018		 <u>\$ 398,857,807</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00 percent in 2017 to 3.50 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 495,949,432</u>	<u>\$ 398,857,807</u>	<u>\$ 327,599,373</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current healthcare cost trend rate:

POUGHKEEPSIE CITY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 10 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS (CONTINUED):

	1% Decrease (3.50% Decreasing to 2.50%)	Healthcare Cost Trend Rate (3.50%)	1% Increase (3.50% Decreasing to 4.50%)
Total OPEB Liability	\$ 315,173,204	\$ 398,857,807	\$ 512,462,946

D. OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized negative OPEB Expense of \$17,463,276. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions or Other Inputs	-	-
Contributions Subsequent to the Measurement Period	-	-
Total	\$ -	\$ -

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

Fiscal Year Ending June 30,	Amount
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	\$ -

NOTE 11 – RISK MANAGEMENT:

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

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 11 – RISK MANAGEMENT (CONTINUED):

The District participates in the Dutchess Educational Health Insurance Consortium, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

The District incurs costs related to a workers' compensation insurance plan (Plan) sponsored by Dutchess County BOCES. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the Plan must remain members for a minimum of five (5) years; a member may withdraw from the plan after that time by providing 180 days' written notice. Plan members include 13 districts, with the District bearing an 8 percent share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, the members would be responsible for the Plan's liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Financial statements for the Plan are available from the administrator at 5 BOCES Road; Poughkeepsie, New York 12601.

NOTE 12 – CONTINGENT LIABILITIES:

A. Litigation:

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. The amount of these possible refunds determined at the present time is a total maximum risk of liability is approximately \$433,476. Any payments resulting from adverse decisions will be funded in the year the payment is made.

The District entered into a settlement agreement with the then-Superintendent of Schools, in exchange for resignation, the District agreed to pay severance in the amount of \$202,649 on July 15, 2018 and deposit of \$28,000 into the I.R.C. 403(b) tax sheltered annuity account. The District further agreed to make a second payment in the amount of \$147,649 between January 1 and 31, 2019, and make a second deposit into I.R.C. 403(b) account \$55,000.

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 12 – CONTINGENT LIABILITIES (CONTINUED):

The District filed charges against a tenured teacher pursuant to Section 3020-a of the New York Education Law. The parties settled the hearing in October 2018. The teacher agreed to resign from the District in exchange for a one-time lump sum payment of \$223,706 (20-months salary).

These settlements total in the amount of \$657,004 is reflected and accrued on the district-wide statements.

B. Other:

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

NOTE 13 – TAX ABATEMENTS:

The District enters into property tax abatement agreements with local businesses under the state Title I of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Act"). Under the Act, localities may grant property tax abatements for a business' property tax bill for the purpose of attracting or retaining business within their jurisdiction. The abatements may be granted to any business located within or promising to relocate within the district's property limits.

For the fiscal year ended June 30, 2018, the District abated property taxes totaling \$782,790 under this program. The District participates in a number of tax abatements through the City of Poughkeepsie and Dutchess County IDA. The abatements amounted to \$782,790.

NOTE 14 – RESTATEMENT OF NET POSITION:

For the fiscal year June 30, 2018, the District reclassified fixed assets and related depreciation in the amount of \$51,761. The District had passed on proposed audit adjustments in fiscal year 2017 in the amount of \$233,331.

For the fiscal year June 30, 2018, the District corrected contribution and expenses for scholarships. The District had corrected the opening balance of several scholarships for transactions; the impact to Private Purpose Trust Net Position was a decrease of \$10,250.

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Implementation of Statement No. 75 requires District's to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. The District's net position has been restated as follows:

See independent auditor's report.

POUGHKEEPSIE CITY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 14 – RESTATEMENT OF NET POSITION (CONTINUED):

	District-Wide Statements	Governmental Fund Statements	Fiduciary Net Postion
Net Position Beginning of Year, as Previously Stated	\$ 6,684,328	\$ 14,062,966	\$ 40,898
GASB Statement No. 75 Implementation	(351,240,287)	-	-
Capital Assets Not Reported to Third Party Vendor	(51,761)	-	-
Deferred Revenue	36,859	36,859	-
Accounts Payable for Health Services	(257,329)	(257,329)	-
Summer Handicapped Program Expense	(12,861)	(12,861)	-
Krieger - Memory of R. Robinson Contribution	-	-	70
Day in the Life Expense	-	-	(614)
Hudson River Thru the Seasons Expense	-	-	(824)
DC Arts Council Award Expense	-	-	(1,050)
Comm Foundation - Arts in Ed Expense	-	-	(2,000)
Comm Foundation - Comics Expense	-	-	(2,511)
Taconic IPA Expense	-	-	(1,935)
Scholarships Expense	-	-	(770)
Museum of Natural History Expense	-	-	(616)
Net Position Beginning of Year, as Restated	<u>\$ (344,841,051)</u>	<u>\$ 13,829,635</u>	<u>\$ 30,648</u>

See independent auditor's report.

SUPPLEMENTARY INFORMATION

POUGHKEEPSIE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) BASIS AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local Sources:				
Real Property Taxes	\$ 24,861,990	\$ 24,861,990	\$ 25,375,941	\$ 513,951
Other Tax Items	3,181,623	3,181,623	3,086,836	(94,787)
Charges for Services	500	500	3,181	2,681
Use of Money and Property	206,500	206,500	207,465	965
Sale of Property and Compensation for Loss	-	-	14,402	14,402
Miscellaneous	410,000	410,000	951,627	541,627
Interfund Revenues	-	-	-	-
Total Local Sources	28,660,613	28,660,613	29,639,452	978,839
State Sources	66,626,794	66,626,794	65,829,134	(797,660)
Federal Sources	200,000	200,000	194,014	(5,986)
Retirement System Credits	-	-	-	-
Total Revenues	95,487,407	95,487,407	95,662,599	175,192
OTHER FINANCING SOURCES				
Transfers from Other Funds	-	-	99,282	99,282
Appropriated Reserves	-	-	-	-
Designated Fund Balance and Encumbrances Carried Forward From Prior Year	1,259,647	1,259,647	-	(1,259,647)
Total Revenues and Other Financing Sources	\$ 96,747,054	\$ 96,747,054	\$ 95,761,881	\$ (985,173)

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET (NON-GAAP) BASIS AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
EXPENDITURES					
General Support:					
Board of Education	\$ 101,540	\$ 115,176	\$ 108,166	\$ -	\$ 7,010
Central Administration	390,605	360,829	307,383	-	53,446
Finance	870,096	789,477	718,810	-	70,667
Staff	1,022,413	1,287,376	1,272,228	-	15,147
Central Services	4,423,261	4,748,934	4,618,684	-	130,249
Special Items	<u>1,307,133</u>	<u>1,201,402</u>	<u>1,167,643</u>	-	<u>33,759</u>
Total General Support	<u>8,115,048</u>	<u>8,503,193</u>	<u>8,192,915</u>	-	<u>310,278</u>
Instruction:					
Instruction, Administration and Improvement	3,302,584	3,361,088	3,314,075	-	47,013
Teaching - Regular School	28,888,695	26,593,033	26,511,961	-	81,072
Programs for Students with Disabilities	13,336,959	15,783,813	15,588,521	-	195,291
Occupational Education	163,380	163,380	162,079	-	1,302
Teaching - Special School	305,776	23,115	14,299	-	8,816
Instructional Media	1,219,365	1,197,686	1,168,445	-	29,240
Pupil Services	<u>5,195,374</u>	<u>4,909,552</u>	<u>4,884,991</u>	-	<u>24,561</u>
Total Instruction	<u>52,412,133</u>	<u>52,031,667</u>	<u>51,644,371</u>	-	<u>387,296</u>
Pupil Transportation	<u>3,786,100</u>	<u>3,277,133</u>	<u>3,183,863</u>	-	<u>93,270</u>
Community Services	<u>225,731</u>	<u>100,186</u>	<u>54,720</u>	-	<u>45,466</u>
Employee Benefits	<u>27,739,877</u>	<u>28,318,344</u>	<u>27,289,777</u>	-	<u>1,028,566</u>
Debt Service:					
Principal Interest	-	-	-	-	-
	<u>205,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>205,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>92,483,889</u>	<u>92,230,522</u>	<u>90,365,647</u>	<u>-</u>	<u>1,864,876</u>
OTHER FINANCING USES					
Operating Transfers Out	<u>4,263,165</u>	<u>4,516,532</u>	<u>4,049,039</u>	<u>-</u>	<u>467,493</u>
Total Expenditures and Other Uses	<u>\$ 96,747,054</u>	<u>\$ 96,747,054</u>	<u>\$ 94,414,686</u>	<u>\$ -</u>	<u>\$ 2,332,368</u>
Net Change in Fund Balances			1,347,196		
Fund Balance - Beginning			<u>14,062,966</u>		
Prior Period Adjustment - See Note 14			<u>(233,331)</u>		
Fund Balances - Beginning of Year, as Restated			13,829,635		
Fund Balance - Ending			<u>\$ 15,176,831</u>		

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service Cost	\$ 3,959,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	13,503,389	-	-	-	-	-	-	-	-	-
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	-	-	-	-	-	-	-	-	-	-
Changes of Assumption or Other Inputs	-	-	-	-	-	-	-	-	-	-
Benefit Payments	(8,833,173)	-	-	-	-	-	-	-	-	-
Net change in total OPEB Liability	8,630,103	-	-	-	-	-	-	-	-	-
Total OPEB Liability - Beginning	390,227,704	-	-	-	-	-	-	-	-	-
Total OPEB Liability - Ending	\$ 398,857,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	42,261,151	-	-	-	-	-	-	-	-	-
Total OPEB Liability as a Percentage of Covered-Employee Payroll	943.79%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

Changes of Benefit Terms:

Amounts presented reflect an increase in the retirees' share of health insurance premiums from 0 percent in 20x0-20x2 to 25 percent in 20x3-20x8 and to 45 percent in 20x9. In 20x1, amounts reflect a change of benefit terms to require Medicare eligible recipients to enroll in Medicare.

Changes of Assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.50%
2017	5.00%
2016	0.00%
2015	0.00%
2014	0.00%
2013	0.00%
2012	0.00%
2011	0.00%
2010	0.00%
2009	0.00%

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

In accordance with New York State Law, the District's Defined Benefit OPEB Plan is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Accordingly, the District does not have net assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2018

LAST 10 FISCAL YEARS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
The District's Proportion of the Net Pension Liability (Asset)	0.0197152%	0.0181661%	0.0222872%	0.0241647%	-	-	-	-	-	-
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 636,298	\$ 1,706,930	\$ 3,577,164	\$ 816,344	-	-	-	-	-	-
The District's Covered Employee Payroll	\$ 5,761,540	\$ 5,233,700	\$ 5,233,700	\$ 5,929,600	-	-	-	-	-	-
The District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	11.04%	32.61%	68.35%	13.77%	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	94.70%	90.68%	97.95%	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 3/31

POUGHKEEPSIE CITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE LOCAL GOVERNMENT'S CONTRIBUTIONS
 FOR THE NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2018

LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 806,049	\$ 807,400	\$ 806,100	1,009,600	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	\$ 806,049	\$ 807,400	\$ 806,100	1,009,600	-	-	-	-	-	-
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
The District's Covered Employee Payroll	\$ 5,761,540	\$ 5,233,700	\$ 5,233,700	5,929,600	-	-	-	-	-	-
Contributions as a Percentage of a Covered Employee Payroll	13.99%	15.43%	15.40%	17.03%	-	-	-	-	-	-

POUGHKEEPSIE CITY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 FOR THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30, 2018

LAST 10 FISCAL YEARS *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
The District's Proportion of the Net Pension Liability (Asset)	0.22727%	0.22442%	0.24541%	0.22576%	-	-	-	-	-	-
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,727,439)	\$ 2,403,660	\$ (25,489,936)	\$ (28,480,345)	-	-	-	-	-	-
The District's Covered Employee Payroll	\$ 36,499,611	\$ 35,964,100	\$ 36,866,400	\$ 37,766,800	-	-	-	-	-	-
The District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	-4.73%	6.68%	-69.14%	-75.41%	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.66%	99.01%	110.46%	111.48%	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 6/30

POUGHKEEPSIE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF THE LOCAL GOVERNMENT'S CONTRIBUTIONS
FOR THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 4,220,842	\$ 4,215,026	\$ 6,462,157	\$ 6,137,111	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	\$ 4,220,842	\$ 4,215,026	\$ 6,462,157	\$ 6,137,111	-	-	-	-	-	-
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
The District's Covered Employee Payroll	\$ 36,499,611	\$ 35,964,100	\$ 36,866,400	\$ 37,766,800	-	-	-	-	-	-
Contributions as a Percentage of a Covered Employee Payroll	11.56%	11.72%	17.53%	16.25%	-	-	-	-	-	-

POUGHKEEPSIE CITY SCHOOL DISTRICT
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
 AND SECTION 1318 REAL PROPERTY TAX LAW LIMIT CALCULATION
 FOR THE YEAR ENDED JUNE 30, 2018

Supplemental Schedule #7

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 96,747,054
Add: Prior Year's Encumbrances	<u> -</u>
Original Budget	96,747,054
Budget Revisions:	<u> -</u>
Final Budget	<u>\$ 96,747,054</u>
Next Year's Budget is a (Voter-Approved) Budget of	<u>\$ 99,806,415</u>

SECTION 1318 REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-2018 Expenditure Budget Maximum Allowed	\$ <u>99,806,415</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Committed Fund Balance	\$ -
Assigned Fund Balance	1,259,647
Unassigned Fund Balance	<u>11,149,221</u>
Total Unrestricted Fund Balance	<u>12,408,868</u>
Less:	
Appropriated Fund Balance 17-18 Budget	<u>1,259,647</u>
Total Adjustments	<u>1,259,647</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 11,149,221</u>
Actual Percentage	11.17%

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Expenditures			Unexpended Balance	Proceeds of Obligation	Methods of Financing		Total	Fund Balance June 30, 2018		
	Original Budget	Revised Budget	Prior Years			Current Year	Total			State Aid	Local Sources
Major Capital Projects:											
Project 2009 Energy Performance Project	\$ 17,225,000	\$ 17,225,000	\$ 17,395,276	\$ -	\$ 17,395,276	\$ (170,276)	\$ 13,200,000	\$ 3,584,481	\$ 1,267,059	\$ 18,051,540	\$ 656,264
	5,600,000	5,600,000	5,451,393	-	5,451,393	148,607	4,739,021	-	121,498	4,860,519	(590,874)
	<u>22,825,000</u>	<u>22,825,000</u>	<u>22,846,669</u>	<u>-</u>	<u>22,846,669</u>	<u>(21,669)</u>	<u>17,939,021</u>	<u>3,584,481</u>	<u>1,388,537</u>	<u>22,912,059</u>	<u>65,390</u>
Non-Major Capital Projects:											
Columbus Boiler	\$ 515,000	\$ 515,000	\$ -	\$ 6,466	\$ 6,466	\$ 508,534	\$ -	\$ -	\$ 515,000	\$ 515,000	\$ 401,354
	<u>515,000</u>	<u>515,000</u>	<u>-</u>	<u>6,466</u>	<u>6,466</u>	<u>508,534</u>	<u>-</u>	<u>-</u>	<u>515,000</u>	<u>515,000</u>	<u>401,354</u>
Totals	\$ 23,340,000	\$ 23,340,000	\$ 22,846,669	\$ 6,466	\$ 22,853,135	\$ 486,865	\$ 17,939,021	\$ 3,584,481	\$ 1,903,557	\$ 23,427,059	\$ 466,744

Note: Totals may not add due to rounding.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF COMBINED BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

Supplemental Schedule #9

	Cafeteria	Debt Service	Capital Projects	Total Non-Major
ASSETS				
Cash:				
Unrestricted	\$ 565,393	\$ -	\$ 501,300	\$ 1,066,693
Restricted	-	417,832	-	417,832
Investments:				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Due from Other Funds	-	4,029	3,705,979	3,710,008
State and Federal Aid	520,077	-	-	520,077
Due from Other Governments	-	-	-	-
Other	-	-	-	-
Inventories	37,599	-	-	37,599
Deferred Expenditures	-	-	-	-
Capital Assets, Net	-	-	-	-
Total Assets	<u>\$ 1,123,069</u>	<u>\$ 421,861</u>	<u>\$ 4,207,279</u>	<u>\$ 5,752,209</u>
LIABILITIES				
Payables:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	14,730	-	-	14,730
Due to Other Funds	-	372,473	3,740,535	4,113,008
Due to Other Governments	122	-	-	122
Retainage Payable	-	-	-	-
Bond Interest and Matured Bonds	-	-	-	-
Notes Payable:				
Tax Anticipation	-	-	-	-
Revenue Anticipation	-	-	-	-
Bond Anticipation	-	-	-	-
Deferred Credits:				
Overpayments and Collections in Advance	-	-	-	-
Deferred Revenues	-	-	-	-
Planned Balance	-	-	-	-
Long-Term Liabilities:				
Due to Teachers' Retirement System	-	-	-	-
Due to Employees' Retirement System	45,357	-	-	45,357
Compensated Absences Payable	-	-	-	-
Other Post Employment Benefits Payable	-	-	-	-
Judgments & Claims Payable	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	<u>60,209</u>	<u>372,473</u>	<u>3,740,535</u>	<u>4,173,217</u>
FUND BALANCES				
Non Spendable	37,599	-	-	37,599
Reserved (Specify)	-	49,388	-	49,388
Committed	-	-	-	-
Assigned	1,025,261	-	466,744	1,492,005
Unassigned	-	-	-	-
Total Fund Balances	<u>1,062,860</u>	<u>49,388</u>	<u>466,744</u>	<u>1,578,992</u>
Total Liabilities and Fund Balances	<u>\$ 1,123,069</u>	<u>\$ 421,861</u>	<u>\$ 4,207,279</u>	<u>\$ 5,752,209</u>

See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
SUPPLEMENTAL INFORMATION
SCHEDULE OF COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria	Debt Service	Capital Projects	Total Non-Major
REVENUES				
Real Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Tax Items	-	-	-	-
Nonproperty Taxes	-	-	-	-
Charges for Services	-	-	-	-
Use of Money and Property	188	1,217	-	1,405
Sale of Property and Compensation for Loss	-	-	-	-
Miscellaneous	7,349	-	-	7,349
Interfund Revenue	-	-	-	-
State Sources	69,285	-	-	69,285
Medicaid Reimbursement	-	-	-	-
Federal Sources	2,888,760	-	-	2,888,760
Surplus Food	211,105	-	-	211,105
Sales - School Lunch	133,743	-	-	133,743
Total Revenues	3,310,430	1,217	-	3,311,647
EXPENDITURES				
General Support	-	-	-	-
Instruction	-	-	-	-
Pupil Transportation	-	-	-	-
Community Service	-	-	-	-
Employee Benefits	356,802	-	-	356,802
Debt Service:				
Principal	-	2,168,592	-	2,168,592
Interest	-	1,071,260	-	1,071,260
Cost of Sales	2,619,239	-	-	2,619,239
Other Expenditures	-	-	-	-
Capital Outlay	-	-	6,466	6,466
Total Expenditures	2,976,041	3,239,852	6,466	6,222,359
Excess (Deficiency) of Revenues Over Expenditures	334,389	(3,238,635)	(6,466)	(2,910,712)
OTHER FINANCING SOURCES AND USES				
Proceeds from Bond Issuance	-	18,605,000	-	18,605,000
Premium on Issuance of Refunding Bonds	-	1,105,362	-	1,105,362
Bond Anticipation Note Redeemed from Appropriations	-	-	-	-
Operating Transfers In	-	3,239,852	515,100	3,754,952
Operating Transfers (Out)	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	(19,510,886)	-	(19,510,886)
Cost of Refunding Bond Issuance	-	(195,740)	-	(195,740)
Rounding	-	-	-	-
Total Other Sources (Uses)	-	3,243,589	515,100	3,758,689
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	334,389	4,954	508,634	847,977
Fund Balances - Beginning of Year	728,471	44,434	(41,890)	731,015
Fund Balances - End of Year	\$ 1,062,860	\$ 49,388	\$ 466,744	\$ 1,578,992

Note: Totals may not add due to rounding.

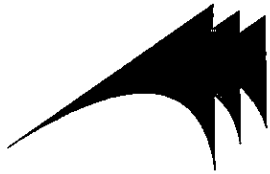
See independent auditor's report and notes to the financial statements.

POUGHKEEPSIE CITY SCHOOL DISTRICT
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
 FOR THE YEAR ENDED JUNE 30, 2018

Capital Assets, Net		\$ <u>40,929,095</u>
Add:		
Cash Held for BAN Payment	\$ _____	-
Total Additions		_____ -
Deduct:		
Short-Term Portion of Bonds Payable	2,270,643	
Long-Term Portion of Bonds Payable	27,362,798	
Short-Term Portion of Installment Purchase Debt	-	
Long-Term Portion of Installment Purchase Debt	-	
BANs Payable	-	
Total Deductions	_____	<u>29,633,441</u>
Investment in Capital Assets, Net of Related Debt		<u>\$ 11,295,654</u>

Note: Totals may not add due to rounding.

See independent auditor's report and notes to the financial statements.



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

To the Board of Education
 Poughkeepsie City School District

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Poughkeepsie City School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses, 2017-001 through 2017-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-006.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Hudson, New York

October 9, 2018

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2018

Financial Statements:

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

x yes no
 yes x none reported

Non-compliance material to financial statements noted?

x yes no

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
 JUNE 30, 2018
 (CONTINUED)

2017-001 Year-end Closing Procedures

CRITERIA:

The yearend closing procedures should result in a complete and accurate record that supports the basic financial statements and footnotes in accordance with generally accepted accounting principles along with supporting schedules.

CONDITION:

In recent years, the District has experienced significant turnover in positions key to the yearend audit preparation process. As a result, certain schedules provided for audit were received later in the audit cycle and in some cases required correction upon auditor review. In considering our internal control assessments and discussions with management, we determined that the District had an adequate understanding of what should have been recorded or compiled on the audit schedules and that the corrections stemmed from time constraints resulting from the change in the business office management and staff during several stages of the audit. These factors resulted in items being provided later and in some cases without review prior to submitting to the audit team.

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT:

During the prior year audit, the Auditor received the District's trial balance, revenue status and budget status reports 3 days after our agreed upon deadline of July 31, 2017. Upon reviewing the schedules, we noted several significant items missing that were later corrected through audit journal entries. The table below demonstrates the significance of the audit adjustments necessary to correct the financial statements.

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Fund	Private Purpose Fund
Ending Fund Balance Based Upon Initial Balances	\$ 18,170,445	\$ (553,053)	\$ 734,268	\$ (372,223)	\$ 116,096	\$ -
Ending Fund Balance Based Upon Final Trial Balances	14,062,966	-	728,471	(372,223)	(41,890)	40,898
Effect of Audit Entries	4,107,479	(553,053)	5,797	-	157,986	(40,898)

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
JUNE 30, 2018
(CONTINUED)

RECOMMENDATION:

It was recommended that the District assess their capacity each year against the audit timetable and auditor requests to ensure that time is available to meet the timetable and includes time for appropriate review.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District is accessing various approaches to correcting this issue.

Status as of June 30, 2018:

During the current year audit we noted the District did not adjust the data for processing year-end closing in the General Fund and Private Purpose Trust Fund. There were proposed and passed journal entries (immaterial in aggregate), the District should be posting and incorporating in the fiscal year closing procedures.

2017-002 Long outstanding checks

CRITERIA:

Bank reconciliation procedures should address any long outstanding reconciling items to ensure a timely reconciliation of cash.

CONDITION:

During 2017 cash audit procedures we noted that the outstanding checks for the payroll checking account at June 30, 2017 contained 22 checks totaling approximately \$3,800 dating from as early as October 2014. Through discussions with accounting management, it was determined that the status of these "old" outstanding checks had not been investigated or considered by accounting personnel. The District is now investigating these outstanding items.

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT:

As a result of the District's turnover and certain positions that remained unfilled at times during the year, follow up on these long outstanding items did not occur in a timely fashion.

RECOMMENDATION:

The Auditor recommended that the District investigate these outstanding items and resolve any remaining outstanding items by reissuing the checks or assigning them to the New York State Office of the Comptroller's unclaimed property.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District's management is in the process of reviewing the outstanding items and deciding on an appropriate action.

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
JUNE 30, 2018
(CONTINUED)

Status as of June 30, 2018:

During the current year audit we noted there were 23 checks outstanding, totaling approximately \$6,200.

2017-003 Maintaining current user access rights

CRITERIA:

User rights for the District's financial software should be reviewed and updated regularly to ensure that access is limited to appropriate personnel.

CONDITION:

While the Auditor updated their understanding of the District's Information technology control environment, we noted that user rights for the District's fiscal software (Finance Manager) had not been revoked for several former business office personnel.

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT: A lack of ongoing review of these rights could lead to unintended access vulnerabilities.

RECOMMENDATION:

It was recommend that the Finance Manager Administrator review the user rights at least semiannually for users requiring revocation as well as assessing the reasonableness of assigned rights and whether they create any segregation of duties conflicts.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District agrees with the finding and has removed the staff no longer with the District. Additionally, the District plans to develop a formal review process of these user access rights.

Status as of June 30, 2018:

During the current year audit we noted a formal review process has not been updated.

2017-004 Accounting for Energy Performance capital project

CRITERIA:

Accounting procedures should include consideration of transactions occurring outside the District's bank accounts where third party escrow account activity exists.

CONDITION:

During the prior year audit of the District's Capital Project Fund, we noted that while the Energy Performance capital project was completed, the final activity including application of unspent funds against future lease payments had not been recorded. Upon contacting the vendor, the District was able to obtain the necessary information to prepare the necessary closeout entries.

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
JUNE 30, 2018
(CONTINUED)

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT:

A lack of consideration of these types of transactions could lead to missing or incomplete accounting for certain transactions.

RECOMMENDATION:

It was recommend that all project files include all closeout information, including the resolution of any unexpended funds and that a procedure be put into place to include accounting entries during the closeout process.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District is accessing various approaches to correcting this issue.

Status as of June 30, 2018:

During the current year audit we noted the District had not remedy the oversight of the Energy Performance capital project

2017-005 Control procedures for adjusting journal entries

CRITERIA:

Internal controls relating to the recording of adjusting journal entries should require a secondary review of all adjusting journal entries and the support for the entries be included in the accounting records.

CONDITION:

During the prior year audit of general journal entries revealed that journal entries were posted without concurrent or subsequent oversight by management. We also noted that the supporting documentation and/or explanations accompanying the entries were inadequate in many instances.

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT:

Lack of secondary review and requirement of supporting records for all adjusting journal entries could lead to errors and unauthorized adjustments.

RECOMMENDATION:

It was recommended that a policy be adopted whereby all journal entries be approved by the Business Official or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals. All journal entries should be accompanied by full explanation and by reference to adequate supporting data.

POUGHKEEPSIE CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS
JUNE 30, 2018
(CONTINUED)

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District plans to implement these recommendations and require a reviewer and support for all entries.

Status as of June 30, 2018:

During the current year audit we noted the District does maintain record and supporting documentation of adjustments. There was visual support the records were reviewed by different individual at the District.

2017-006 Compliance with §1318 of the New York State Real Property Tax Law

CRITERIA:

Accounting procedures should be in place to ensure that the District complies with laws and regulations including the §1318 of the New York State Real Property Tax law.

CONDITION:

The District's unassigned fund balance of the general fund exceeds 4% of the subsequent year's expenditures budget as imposed by §1318 of the New York State Real Property Tax law resulting in noncompliance with New York State Law.

CAUSE:

The District has had significant turnover in recent years resulting in a lack of continuity in its accounting practices.

EFFECT:

Lack of an ongoing assessment of the District's compliance could result in the District exceeding the allowable fund balance.

RECOMMENDATION:

We recommend that the District monitor its unassigned fund balance throughout the year, at least semi-annually. The District should consider taking action to reduce the unassigned fund balance to the allowable limit. Additionally, the District should consider whether it has considered the adequacy and/or inclusion of permissible reserves such as its tax certiorari reserve and the use of outstanding encumbrances

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The District will perform interim analysis of their fund balance plan to ensure that they are in compliance with this regulation going forward.

Status as of June 30, 2018:

During the current year audit we noted District's unassigned fund balance of the general fund exceeds 4% of the subsequent year's expenditures budget as imposed by §1318 of the New York State Real Property Tax law resulting in noncompliance with New York State Law.