

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mount Pleasant Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary funds of the Mount Pleasant Central School District as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Mount Pleasant Central School District as of June 30, 2017, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 4 through 17 and 58 through 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, on our consideration of the Mount Pleasant Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mount Pleasant Central School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2017

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

The following is a discussion and analysis of the Mount Pleasant Central School District's (the "District") financial performance for the fiscal year ended June 30, 2017. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$57,902,559. Of this amount, \$1,029,796 was offset by program charges for services and \$702,106 was offset by operating grants and contributions. General revenues of \$57,902,930 amount to 97.10% of total revenues.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$1,241,362. This was due to an excess of revenues over expenditures and operating transfers out based on the modified accrual basis of accounting.
- In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, the District recorded a net pension liability of \$1,377,930 for the Employees' Retirement System, and \$1,769,747 for the Teachers' Retirement System. The net pension liability is the total cost of future pension benefit payments that have already been earned, minus the value of assets available to make the benefits (the net position of the plan). The District also recorded deferred outflows and inflows related to pensions, which will be recognized in future periods. Please refer to Note 15 for more information.
- The District recorded an increase of \$2,534,834 in the net other post-employment benefits obligation payable, in accordance with GASB Statement No. 45, bringing the liability to \$19,985,626.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

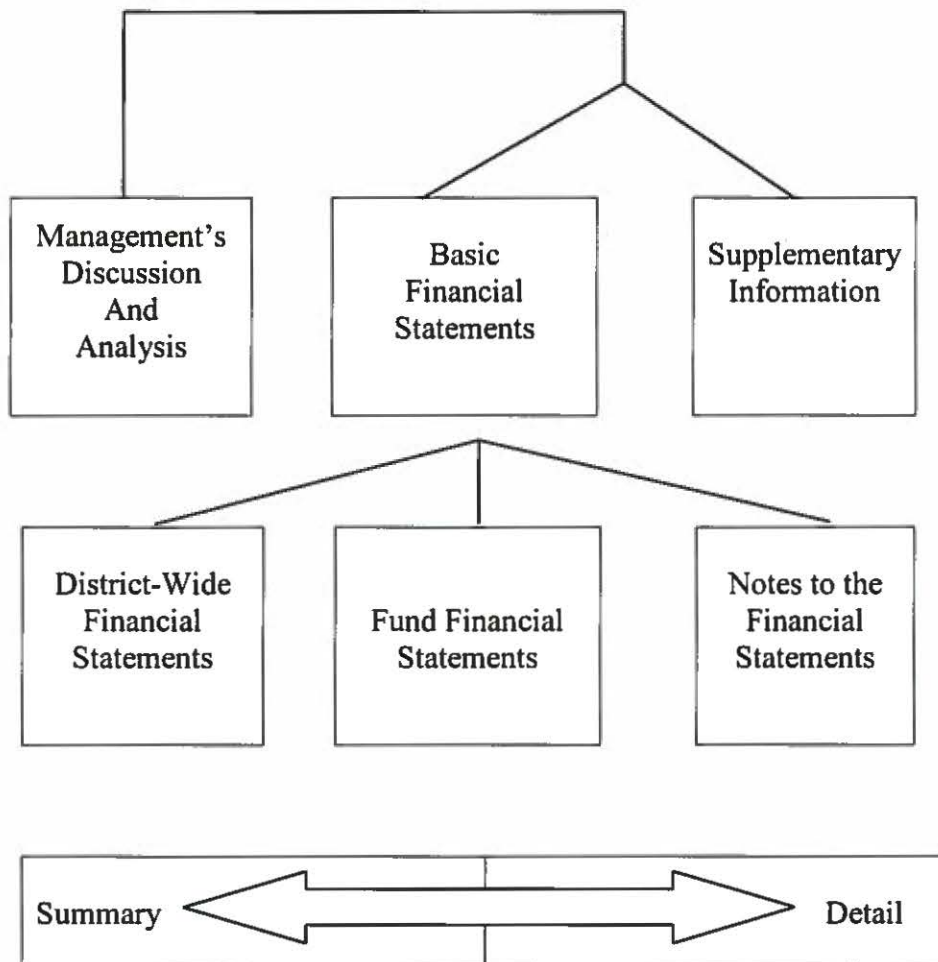
**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

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

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

Organization of the District's Annual Financial Report



**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

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

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

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

A) District-Wide Financial Statements:

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

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

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

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

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

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

B) Fund Financial Statements:

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

The District has two kinds of funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's net position increased by \$1,732,273 in the fiscal year ended June 30, 2017 as detailed in the table that follows.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Change	Total Percentage Change
Current assets	\$18,001,410	\$15,935,280	\$2,066,130	12.97%
Capital assets	25,364,133	25,270,937	93,196	0.37%
Net pension asset -proportionate share		16,904,781	(16,904,781)	-100.00%
Total Assets	43,365,543	58,110,998	(14,745,455)	-25.37%
Deferred outflows of resources	19,225,940	6,911,899	12,314,041	178.16%
Total assets and deferred outflows of resources	62,591,483	65,022,897	(2,431,414)	-3.74%
Current liabilities	5,205,745	5,237,486	(31,741)	-0.61%
Long-term liabilities	40,857,473	39,807,973	1,049,500	2.64%
Total Liabilities	46,063,218	45,045,459	1,017,759	2.26%
Deferred inflows of resources	1,044,088	6,225,534	(5,181,446)	-83.23%
Total liabilities and deferred inflows of resources	47,107,306	51,270,993	(4,163,687)	-8.12%
Net Position				
Net investment in capital assets	15,097,219	13,024,367	2,072,852	15.92%
Restricted	4,980,814	4,518,441	462,373	10.23%
Unrestricted (deficit)	(4,593,856)	(3,790,904)	(802,952)	-21.18%
Total Net Position	\$15,484,177	\$13,751,904	\$1,732,273	12.60%

Reclassifications were made to the 2016 restricted and unrestricted net position to conform to the 2017 financial statement classification. Such reclassifications had no effect on total net position as previously reported.

Current assets increased by \$2,066,130 from 2016 to 2017. This change is primarily related to an increase in cash and due from fiduciary fund, offset by decreases in accounts receivable and due from other governments. Capital assets (net of depreciation) increased \$93,196 primarily due to the increase in various construction projects offset by current year depreciation. The net pension asset - proportionate share decreased by \$16,904,781 as a result of the actuarial valuation provided by the state and is currently a net pension liability of \$1,769,747. The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 15, as well as amortization on the deferred charges on refundings, as discussed in Note 14.

Current liabilities decreased by \$31,741. This is primarily attributable to a decrease in the teachers' retirement system payable, offset by increases in accounts payable and due to other governments. Long-term liabilities increased by \$1,049,500 which was due to the District's net other post employment benefit obligation and the net pension liability increasing for TRS, partially offset by current year principal payments on debt, and the decrease in the pension liability for ERS. The changes in deferred inflows represent amortization of pension related items as discussed in Note 15.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt (including debt related items such as premiums and deferred charges). This number increased from the prior year by \$2,072,852 primarily due to current year bond principal payments and capital additions, partially offset by current year depreciation.

The restricted net position at June 30, 2017, relates to the District's reserves and restricted amounts for special purposes. Restricted net position increased by \$462,373. This was primarily the result of the District funding the reserves, which is discussed further in section 4 of this Management Discussion and Analysis entitled "Financial Analysis of the District's Funds" and section 5, "General Fund Budgetary Highlights".

The unrestricted net deficit at June 30, 2017 of \$4,593,856 relates to the balance of the District's net position. The unrestricted net deficit increased by \$802,952.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2017 and 2016 are as follows:

Change in Net Position from Operating Results

	Fiscal Year 2017	Fiscal Year 2016	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for services	\$1,029,796	\$1,463,805	(\$434,009)	-29.65%
Grants and contributions	702,106	1,024,006	(321,900)	-31.44%
General Revenues				
Real property taxes and other tax items	51,441,954	50,138,198	1,303,756	2.60%
State sources	5,996,612	5,040,368	956,244	18.97%
Use of money and property	52,441	5,919	46,522	785.98%
Other	411,923	408,304	3,619	0.89%
Total Revenues	\$59,634,832	\$58,080,600	\$1,554,232	2.68%
Expenses				
General support	\$6,989,448	\$8,136,977	(\$1,147,529)	-14.10%
Instruction	47,329,364	41,811,683	5,517,681	13.20%
Pupil transportation	2,546,495	2,316,709	229,786	9.92%
Other	12,600	44,718	(32,118)	-71.82%
Debt service - interest	473,062	614,780	(141,718)	-23.05%
Food service program	551,590	488,664	62,926	12.88%
Total Expenses	\$57,902,559	\$53,413,531	\$4,489,028	8.40%
Total Change in Net Position	\$1,732,273	\$4,667,069	(\$2,934,796)	-62.88%

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

The District's fiscal year 2017 revenues totaled \$59,364,832. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 86.26% and 10.06%, respectively of total revenue. The remainder came from fees charged for services, grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$1,554,232 or 2.68%. This was primarily attributable to increases in real property taxes and state sources.

The cost of all programs and services totaled \$57,902,559 for fiscal year 2017. These expenses are predominantly related to instruction, which account for 81.74% of District expenses. The District's general support activities accounted for 12.07% of total costs. Total expenses increased by \$4,489,028 or 8.40%. This was primarily attributable to the increase in instructional costs in the general fund, as well as the increase in the net other post-employment benefits obligation which is allocated to the functions based on salary expenses.

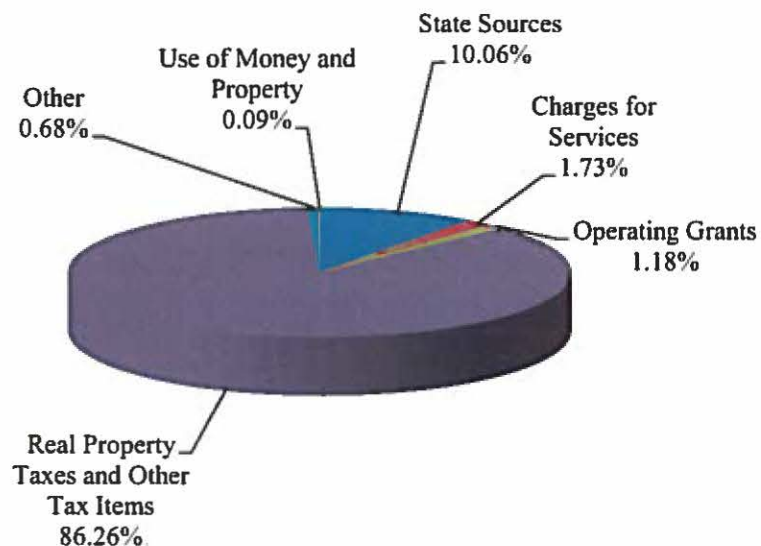
The users of the District's programs financed \$1,029,796 of the cost. The federal and state governments subsidized certain programs with grants and contributions of \$702,106.

C) Governmental Activities:

The continuation of the overall financial position will be positive and is due to the following:

- Continued leadership of the District's Board and administration;
- Strategic use of services from BOCES;
- Improved curriculum and community support.

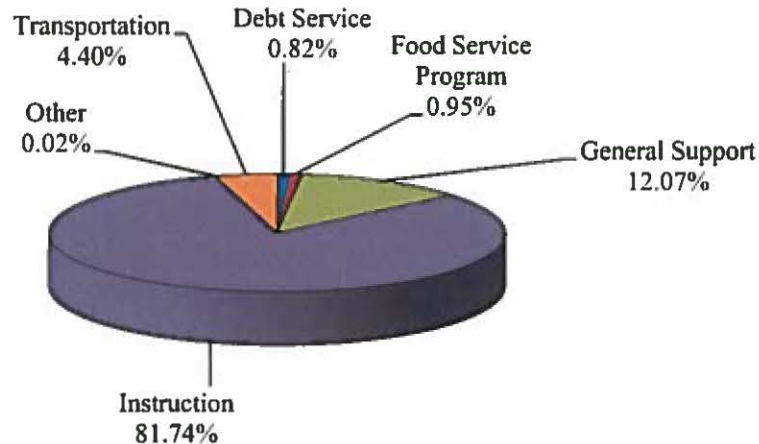
Revenues for Fiscal Year 2017



**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

Expenditures for Fiscal Year 2017



4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of June 30, 2017, the District's combined governmental funds reported a total fund balance of \$12,779,612 which is an increase of \$2,052,867 from the prior year.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

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

	Fiscal Year 2017	Fiscal Year 2016	Increase/ (Decrease)	Percentage Change
General Fund				
Restricted for retirement contribution	\$179,727	\$179,279	\$448	0.25%
Restricted for tax certiorari	4,229,365	3,818,069	411,296	10.77%
Restricted for employee benefit accrued liabilities	306,633	305,868	765	0.25%
Restricted for unemployment	218,730	168,309	50,421	29.96%
Assigned - general support	914,532	52,821	861,711	1631.38%
Assigned - instruction	98,793	10,056	88,737	882.43%
Assigned- employee benefits	6,424		6,424	N/A
Assigned-designated for subsequent year's expenditures	250,000	575,000	(325,000)	-56.52%
Unassigned	2,490,927	2,344,367	146,560	6.25%
Total Fund Balance - General Fund	<u>\$8,695,131</u>	<u>\$7,453,769</u>	<u>\$1,241,362</u>	16.65%
School Lunch Fund				
Nonspendable	\$5,180	\$9,824	(\$4,644)	-47.27%
Assigned - unappropriated	130,740	136,488	(5,748)	-4.21%
Total Fund Balance - School Lunch Fund	<u>\$135,920</u>	<u>\$146,312</u>	<u>(\$10,392)</u>	-7.10%
Capital Projects Fund				
Assigned	<u>\$3,902,202</u>	<u>\$3,079,748</u>	<u>\$822,454</u>	26.71%
Total Fund Balance - Capital Projects Fund	<u>\$3,902,202</u>	<u>\$3,079,748</u>	<u>\$822,454</u>	26.71%
Special Purpose Fund				
Restricted	<u>\$46,359</u>	<u>\$46,916</u>	<u>(\$557)</u>	-1.19%
Total Fund Balance - Special Purpose Fund	<u>\$46,359</u>	<u>\$46,916</u>	<u>(\$557)</u>	-1.19%
Total Fund Balance - All Funds	<u>\$12,779,612</u>	<u>\$10,726,745</u>	<u>\$2,052,867</u>	19.14%

Reclassifications have been made to the 2016 fund balance classifications to conform to the 2017 classification. Such reclassifications had no effect on total fund balance as previously reported.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

A) General Fund

The net change in the general fund – fund balance is an increase of \$1,241,362 a result of revenues of \$58,358,899 exceeding expenditures and other financing uses of \$57,117,537. Revenues increased \$1,511,024 or 2.66% compared to the prior year, mostly due to the increases in real property taxes and state sources, offset by decreases in charges for services.

Expenditures and other uses decreased by \$2,034,311 or 3.44% compared to the prior year. This was primarily due to decreases in interfund transfers, employee benefits and central service expenses, offset by increases in instructional expenses and pupil transportation.

B) School Lunch Fund

The net change in the school lunch fund – fund balance is a decrease of \$10,392. This decrease is the operating loss for the current year.

C) Capital Projects Fund

The net change in the capital projects fund – fund balance is a increase of \$822,454 bringing fund balance to \$3,902,202. This increase was due to an excess of other financing sources over expenditures. The capital projects fund received \$1,600,000 in general fund budgetary appropriation transfers and had \$777,546 in capital outlay expenditures.

D) Special Purpose Fund

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2016-2017 Budget:

The District's general fund adopted budget for the fiscal year ended June 30, 2017 was \$58,931,394. This amount was increased by encumbrances carried forward from the prior year in the amount of \$62,877, and budget revisions for tax certiorari of \$328,249, bringing the final budget to \$59,322,520. The majority of the funding was real property taxes and other tax items budget of \$51,436,890.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

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

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

Opening, unassigned fund balance	\$2,344,367
Revenues over budget	2,505
Expenditures and encumbrances under budget	1,185,234
Transfers to reserves	(780,000)
Interest allocated to reserves	(11,179)
Closing, unassigned fund balance	<u>\$2,740,927</u>

The opening unassigned fund balance of \$2,344,367 is the June 30, 2016 unassigned fund balance.

The revenues over budget of \$2,505 due to variances spread out through the budget. Please see Supplemental Schedule #1 for detail.

The expenditures and encumbrances under budget of \$1,185,234 were across the budget, but approximately \$425,000 was in programs for children with handicap conditions, \$162,956 was in employee benefits, \$133,015 was in instruction, administration, and improvement and \$126,639 was in central services. Refer to Supplemental Schedule #1 for more details.

The District transferred \$50,000 to the unemployment reserve and \$730,000 to the tax certiorari reserve to be used to fund potential tax certiorari judgements.

Interest of \$11,179 was also allocated to the reserves as follows: \$421 to the unemployment insurance reserve, \$448 to the retirement contribution reserve, \$765 to the employee benefit accrued liability reserve and \$9,545 to the tax certiorari reserve.

The District will close the 2016-2017 fiscal year with \$2,740,927 in unassigned fund balance. NYS Real Property Tax Law §1318 restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is over the legal limit.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment, and various building additions and renovations during the fiscal year 2017. A summary of the District's capital assets net of depreciation are as follows:

Capital Assets (Net of Depreciation)

Category	Fiscal Year 2017	Fiscal Year 2016	Net Increase/ (Decrease)	Percentage Change
Land	\$1,632,800	\$1,632,800	\$ -	0.00%
Construction in Progress	935,802	158,256	777,546	491.32%
Buildings & Improvements	36,110,996	36,110,996	-	0.00%
Machinery & Equipment	986,577	999,090	(12,513)	-1.25%
Subtotal	39,666,175	38,901,142	765,033	1.97%
Less: Accumulated Depreciation	14,302,042	13,630,205	671,837	4.93%
Total Net Capital Assets	<u>\$25,364,133</u>	<u>\$25,270,937</u>	<u>\$93,196</u>	0.37%

The District's capital outlay for the year was \$777,546 from the capital project fund and \$29,080 from the general fund. The District also recorded depreciation expense of \$713,430.

B) Long-Term Debt:

At June 30, 2017, the District had total bonds payable of \$17,040,000. The decreases represent principal payments. More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements. A summary of outstanding debt at June 30, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Construction bonds	\$11,215,000	\$12,830,000	(\$1,615,000)
Tax certiorari bonds	5,825,000	6,450,000	(625,000)
Total bonds payable	<u>\$17,040,000</u>	<u>\$19,280,000</u>	<u>(\$2,240,000)</u>

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT 1

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The general fund budget for the 2017-18 school year in the amount of \$58,950,394 was approved by voters. This is an increase of \$19,000 or 0.03% over the previous year's budget. This increase was primarily due to an increase in transportation and instruction, offset by decreases in general support, employee benefits, debt service, and transfers.
- B) The NYS Legislature introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Mount Pleasant Central School District
Mr. Andrew Lennon
Director of Business Administration
825 West Lake Drive
Thornwood, NY 10594
(914)-769-5500

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current assets

Cash

Unrestricted	\$ 10,279,966
Restricted	4,980,814

Receivables

Accounts receivable	18,106
State and federal aid	1,356,719
Due from other governments	454,721
Due from fiduciary fund	905,904

Inventories

5,180

Non-current assets

Capital assets

Capital assets, not being depreciated	2,568,602
Capital assets being depreciated, net of accumulated depreciation	22,795,531

TOTAL ASSETS43,365,543**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refundings	1,162,888
Pensions	18,063,052

TOTAL DEFERRED OUTFLOWS OF RESOURCES19,225,940**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**\$ 62,591,483**LIABILITIES**

Payables

Accounts payable	\$ 1,018,126
Accrued liabilities	389,463
Due to teachers' retirement system	3,112,616
Due to employees' retirement system	165,587
Due to other governments	329,185
Accrued interest payable	23,719

Unearned credits

Collections in advance	167,049
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Long-term liabilities

Due and payable within one year	
Bonds payable (Including deferred bond premium of \$58,747)	2,233,747
Compensated absences payable	30,000
Due and payable after one year	
Bonds payable (Including deferred bond premium of \$330,199)	15,195,199
Compensated absences payable	265,224
Net pension liability-proportionate share	3,147,677
Net other post employment benefits obligation	19,985,626

TOTAL LIABILITIES46,063,218**DEFERRED INFLOWS OF RESOURCES**

Pensions	1,044,088
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TOTAL DEFERRED INFLOWS OF RESOURCES1,044,088**NET POSITION**

Net investment in capital assets	15,097,219
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Restricted:

Retirement contribution	179,727
Tax certiorari	4,229,365
Employee benefit accrued liability	306,633
Unemployment	218,730
Special purpose	46,359
	<u>4,980,814</u>

Unrestricted (deficit)

(4,593,856)**TOTAL NET POSITION**15,484,177**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**\$ 62,591,483

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
FUNCTIONS / PROGRAMS				Net Position
General support	\$ (6,989,448)			\$ (6,989,448)
Instruction	(47,329,364)	\$ 496,082	\$ 647,663	(46,185,619)
Pupil transportation	(2,546,495)		42,443	(2,504,052)
Food service program	(551,590)	533,714		(17,876)
Debt service - interest	(473,062)			(473,062)
Other	(12,600)		12,000	(600)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (57,902,559)</u>	<u>\$ 1,029,796</u>	<u>\$ 702,106</u>	<u>\$ (56,170,657)</u>
GENERAL REVENUES				
Real property taxes				44,994,337
Other tax items - including STAR reimbursement				6,447,617
Use of money & property				52,441
Miscellaneous				411,923
State sources				5,996,612
TOTAL GENERAL REVENUES				<u>57,902,930</u>
CHANGE IN NET POSITION				1,732,273
TOTAL NET POSITION - BEGINNING OF YEAR				<u>13,751,904</u>
TOTAL NET POSITION - END OF YEAR				<u>\$ 15,484,177</u>

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Special Purpose	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 9,906,964		\$ 360,402		\$ 12,600	\$ 10,279,966
Restricted	4,934,455				46,359	4,980,814
Receivables						
Accounts receivable	11,640		6,466			18,106
Due from state and federal aid	929,103	\$ 427,616				1,356,719
Due from other governments	450,010	4,711				454,721
Due from other funds	1,747,427	78,364		\$ 4,593,701		6,419,492
Inventories			5,180			5,180
TOTAL ASSETS	\$ 17,979,599	\$ 510,691	\$ 372,048	\$ 4,593,701	\$ 58,959	\$ 23,514,998
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Payables						
Accounts payable	\$ 634,773	\$ 36,780	\$ 37,796	\$ 308,777		\$ 1,018,126
Accrued liabilities	389,463					389,463
Due to other governments	329,032		153			329,185
Due to other funds	4,593,701	345,199	179,366	382,722	\$ 12,600	5,513,588
Due to teachers' retirement system	3,112,616					3,112,616
Due to employees' retirement system	165,587					165,587
Unearned credits						
Collections in advance	19,524	128,712	18,813			167,049
TOTAL LIABILITIES	9,244,696	510,691	236,128	691,499	12,600	10,695,614
DEFERRED INFLOWS OF RESOURCES						
Tuition	39,772					39,772
FUND BALANCES						
Non-spendable: Inventory			5,180			5,180
Restricted						
Retirement contribution	179,727					179,727
Tax certiorari	4,229,365					4,229,365
Employee benefit accrued liability	306,633					306,633
Unemployment	218,730					218,730
Special purpose					46,359	46,359
Assigned						
Appropriated fund balance	250,000					250,000
Unappropriated fund balance	1,019,749		130,740	3,902,202		5,052,691
Unassigned	2,490,927					2,490,927
TOTAL FUND BALANCES	8,695,131	-	135,920	3,902,202	46,359	12,779,612
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCES	\$ 17,979,599	\$ 510,691	\$ 372,048	\$ 4,593,701	\$ 58,959	\$ 23,514,998

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances \$ 12,779,612

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

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

Original cost of capital assets	\$ 39,666,175	
Accumulated depreciation	<u>(14,302,042)</u>	25,364,133

Governmental funds report the effect of discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Deferred charges on refunding amounted to: 1,162,888

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual. 39,772

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to (1,044,088)

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: (23,719)

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to 18,063,052

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

Bonds payable (including premiums)	\$ (17,428,946)	
Compensated absences payable	(295,224)	
Net other post employment benefits obligation	(19,985,626)	
Net pension liability - proportionate share	<u>(3,147,677)</u>	(40,857,473)

Total Net Position \$ 15,484,177

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Special Aid	School Lunch	Capital Projects	Special Purpose	Total Governmental Funds
REVENUES						
Real property taxes	\$ 44,994,337					\$ 44,994,337
Other tax items - including STAR reimbursement	6,447,617					6,447,617
Charges for services	456,310					456,310
Use of money and property	52,100		\$ 298		\$ 43	52,441
Miscellaneous	411,923				12,000	423,923
Local sources		\$ 70,483				70,483
State sources	5,996,612	171,097				6,167,709
Federal sources		448,526				448,526
Sales			533,714			533,714
TOTAL REVENUES	58,358,899	690,106	534,012	-	12,043	59,595,060
EXPENDITURES						
General support	5,727,199					5,727,199
Instruction	32,204,062	695,941				32,900,003
Pupil transportation	2,435,628	42,443				2,478,071
Employee benefits	12,404,053					12,404,053
Debt service - Principal	2,240,000					2,240,000
Debt service - Interest	458,317					458,317
Cost of sales			544,404			544,404
Other expenditures					12,600	12,600
Capital outlay				\$ 777,546		777,546
TOTAL EXPENDITURES	55,469,259	738,384	544,404	777,546	12,600	57,542,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,889,640	(48,278)	(10,392)	(777,546)	(557)	2,052,867
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		48,278		1,600,000		1,648,278
Operating transfers (out)	(1,648,278)					(1,648,278)
TOTAL OTHER FINANCING SOURCES AND (USES)	(1,648,278)	48,278	-	1,600,000	-	-
NET CHANGE IN FUND BALANCES	1,241,362	-	(10,392)	822,454	(557)	2,052,867
FUND BALANCES - BEGINNING OF YEAR	7,453,769		146,312	3,079,748	46,916	10,726,745
FUND BALANCES - END OF YEAR	\$ 8,695,131	\$ -	\$ 135,920	\$ 3,902,202	\$ 46,359	\$ 12,779,612

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance \$ 2,052,867

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2017 changed by: 18,498

Deferred inflows of resources - The Statement of Net Position recognized revenue received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. 39,772

Net other post employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post employment benefits obligation from June 30, 2016 to June 30, 2017 changed by: (2,534,834)

Increases/decreases in proportionate share of net pension asset/liability and related deferred inflows and outflows 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.

Employees' retirement system	\$ (224,543)	
Teachers' retirement system	<u>62,062</u>	(162,481)

Capital Related Items

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

Capital outlays	\$ 806,626	
Depreciation expense	<u>(713,430)</u>	93,196

Long-Term Debt Transactions

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amount of amortization on the bond premium and deferred charges is: (19,977)

Repayment of a 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 2,240,000

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2016 to June 30, 2017 changed by: 5,232

Change in Net Position \$ 1,732,273

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash-restricted	\$ 1,047,174
TOTAL ASSETS	<u>\$ 1,047,174</u>
LIABILITIES	
Due to governmental funds	\$ 905,904
Extraclassroom activity balance	125,126
Other liabilities	16,144
TOTAL LIABILITIES	<u>\$ 1,047,174</u>

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Mount Pleasant Central 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.

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 7 members. The Board of Education serves as the legislative body and has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters. In addition, the Board is responsible for, and controls all activities related to public school education within the District. The Superintendent is the chief executive officer.

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

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

i) Extraclassroom Activity Funds

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ii) Fund Financial Statements

The Fund Financial 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, each displayed in a separate column.

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

Fiduciary Fund: This fund is 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. There is one class of the fiduciary fund:

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

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

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education, and become a lien on July 1st. Taxes are collected by the Town of Mount Pleasant and Town of North Castle and are remitted to the District throughout the year.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Town of Mount Pleasant ("the Town") in which the District is located. The Town pays an amount representing uncollected real property taxes to the District no later than the following April 1st.

F) Restricted resources:

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

G) Interfund transactions:

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

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

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receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund 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 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

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

I) Cash and cash equivalents:

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

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

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expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2017.

L) Capital assets:

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$5,000	Straight-line	50 years
Improvements other than Buildings	\$5,000	Straight-line	20 years
Machinery & Equipment	\$5,000	Straight-line	5-20 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance as of June 30, 2017 consisted of prepaid balances for meals in the school lunch fund, summer driver's education deposits and health insurance for the subsequent year received in the general fund and unearned revenues from state and local grants in the special aid fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first amount is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS and TRS), changes of assumptions (ERS and TRS), changes in proportion and differences between the District's contributions and proportionate share of contributions (ERS), and the District's contributions to the pension systems subsequent to the measurement date (ERS and TRS). The second item is deferred charges on refundings. A

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deferred charge results from the difference in carrying amount of the debt over its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category and is related to pensions reported in the District-Wide Statement of Net Position. This represents the difference between expected and actual experience (ERS and TRS) and changes in proportion and differences between employer contributions and proportionate share of contributions (ERS and TRS).

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows or resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

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

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

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

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

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P) Other benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payments). In the District-Wide Financials Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q) Short-term debt:

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The 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 there is an insufficient or no provision made in the annual budget. The budget note must be repaid no 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.

R) Accrued liabilities and long-term obligations:

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

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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.

S) Equity Classifications:

i) District-Wide Financial Statements

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

Net investment in capital assets, consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets (net of unspent proceeds), including the deferred inflows of resources, the gain on defeasance on the bond refunding.

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

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

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, the District only has four classifications of fund balance presented in the fund financial statements as follows:

- 1) Non-spendable fund balance –** includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$5,180.
- 2) Restricted fund balance -** includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following reserves as restricted:

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), 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. This reserve is accounted for in the general fund under restricted fund balance.

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Tax Certiorari Reserve

According to Education Law §3651.1-a, the Tax Certiorari Reserve 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. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits due to 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. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m), 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. This reserve is accounted for in the general fund under the restricted fund balance.

Special Purpose

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

- 3) **Committed fund balance** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, (i.e., the Board of Education). The District has no committed fund balances as of June 30, 2017.
- 4) **Assigned fund balance**- Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the

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subsequent year's budget in the amount of \$250,000. This assignment is made when the tax levy is set by the Board of Education pursuant to the District's annual budget policy.

- 5) **Unassigned fund balance** – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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 included in the assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance:

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

T) New accounting standards:

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2017: Statement No. 77, *Tax Abatement Disclosures*, which requires increased disclosures surrounding tax abatements, and Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues in the previously issued pension statements regarding payroll related measures in the required supplementary information, the selection of assumptions and deviations from other guidance, and the treatment of employee (plan member) contributions made by employers.

U) Future changes in accounting standards:

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from 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.

B) Statement of Revenues, Expenditures and Changes in Fund Balances 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 the four broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified 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 reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

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

(iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

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

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

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

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assignments or restrictions 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.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

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

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

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

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by the legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2017 included \$4,980,814 within the governmental funds for general reserve purposes and special purpose scholarships and \$1,047,174 in the fiduciary fund.

Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2017, the District was billed \$2,855,190 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$992,987. Financial statements for the BOCES of Southern Westchester are available from their administrative office at 17 Berkley Drive, Rye Brook, NY 10573.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivable at June 30, 2017 consisted of the following:

General Fund	
BOCES Aid	\$751,821
BOCES substitute reimbursement	2,315
Excess Cost Aid	174,967
Total General Fund	<u>929,103</u>
Special aid fund	
Federal grants	323,922
State grants	103,694
Total special aid fund	<u>427,616</u>
Total state and federal aid receivable	<u>\$1,356,719</u>

District management has deemed these receivables as fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2017 consisted of the following:

General Fund	
Tuition billings	\$ 266,075
Swimming billings	10,435
Westchester County- sales tax	173,500
Total General Fund	<u>450,010</u>
Special Aid Fund	
Other districts billed	<u>4,711</u>
Total	<u>\$ 454,721</u>

District management has deemed these receivables as fully collectible.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 8 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2017 consisted of the following:

General Fund	
General aid overpayment	\$ 87,970
Tuition and health services	241,062
Total General Fund	<u>329,032</u>
School Lunch Fund	
Sales tax	<u>153</u>
Total	<u>\$ 329,185</u>

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2017 consisted of the following:

General fund	
Driver's education	\$ 13,404
Health insurance	6,120
	<u>19,524</u>
Special aid fund	
Unearned revenues from state and local grants	128,712
School lunch fund	
Prepaid meals and charged meals	<u>18,813</u>
Total Collections in Advance	<u>\$ 167,049</u>

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,632,800			\$1,632,800
Construction in progress	158,256	\$777,546		935,802
Total capital assets not being depreciated	<u>1,791,056</u>	<u>777,546</u>	<u>-</u>	<u>2,568,602</u>
Capital assets being depreciated:				
Buildings and improvements	36,110,996			36,110,996
Machinery and equipment	999,090	29,080	(41,593)	986,577
Total capital assets being depreciated	<u>37,110,086</u>	<u>29,080</u>	<u>(41,593)</u>	<u>37,097,573</u>
Less accumulated depreciation:				
Building and improvements	12,903,484	661,205		13,564,689
Machinery and equipment	726,721	52,225	(41,593)	737,353
Total accumulated depreciation	<u>13,630,205</u>	<u>713,430</u>	<u>(41,593)</u>	<u>14,302,042</u>
Total capital assets being depreciated, net	<u>23,479,881</u>	<u>(684,350)</u>	<u>-</u>	<u>22,795,531</u>
Total capital assets, net	<u>\$25,270,937</u>	<u>\$93,196</u>	<u>\$ -</u>	<u>\$25,364,133</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$96,877
General support	<u>616,553</u>
Total depreciation expense	<u>\$713,430</u>

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 1,747,427	\$ 4,593,701		\$ 1,648,278
Special aid fund	78,364	345,199	\$ 48,278	
School lunch fund		179,366		
Capital projects fund	4,593,701	382,722	1,600,000	
Special purpose		12,600		
Total government activities	6,419,492	5,513,588	1,648,278	1,648,278
Fiduciary agency fund		905,904		
Total	<u>\$ 6,419,492</u>	<u>\$ 6,419,492</u>	<u>\$ 1,648,278</u>	<u>\$ 1,648,278</u>

The District typically transfers from the general fund to the capital projects fund to finance capital construction projects. The District typically transfers from the general fund to the special aid fund to fund the District's local share of summer school handicap expenses required by New York State Law.

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

NOTE 12 - SHORT-TERM DEBT:

There were no transactions in short-term debt for the year.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds payable					
Construction bonds	\$12,830,000		(\$1,615,000)	\$11,215,000	\$525,000
Tax certiorari bonds	6,450,000		(625,000)	5,825,000	1,650,000
Total bonds payable	19,280,000		(2,240,000)	17,040,000	2,175,000
Premium on refunding	403,258		(14,312)	388,946	58,747
 Total bonds payable (including premiums)	 \$19,683,258	 \$ -	 (\$2,254,312)	 \$17,428,946	 \$2,233,747
Other liabilities					
Compensated absences payable	313,722		(18,498)	295,224	30,000
Net other post-employment benefits	17,450,792	4,390,313	(1,855,479)	19,985,626	
Net pension liability - proportionate share	2,360,201	4,749,938	(3,962,462)	3,147,677	
 Total long-term liabilities	 \$39,807,973	 \$9,140,251	 (\$8,090,751)	 \$40,857,473	 \$2,263,747

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, compensated absences, net other postemployment benefits obligation, and net pension liability.

A) Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding at Year End</u>
Tax Certiorari Refunds	2010	\$1,350,000	June 2025	3.250-4.000%	\$ 810,000
Refunding Bonds- Construction	2012	\$7,145,000	June 2025	2.000-2.250%	5,150,000
Refunding Bonds- Construction	2013	\$6,305,000	May 2025	2.000-3.000%	4,840,000
Refunding Bonds- Construction	2015	\$1,245,000	December 2019	4.000-1.000%	1,225,000
Refunding Bonds- Tax Certiorari	2015	\$5,145,000	June 2027	2.000-3.000%	5,015,000
					<u>\$17,040,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$2,175,000	\$391,788	\$2,566,788
2019	2,250,000	331,525	2,581,525
2020	2,300,000	274,400	2,574,400
2021	1,790,000	228,975	2,018,975
2022	1,835,000	191,215	2,026,215
2023-2027	6,690,000	357,428	7,047,428
	\$17,040,000	\$1,775,331	\$18,815,331

B) Long-Term Interest

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

	Total
Interest paid	\$ 458,317
Less interest accrued in the prior year	(28,951)
Plus interest accrued in the current year	23,719
Plus amortization of premiums, and deferred charges on bond refundings	19,977
Total expense	\$ 473,062

C) Premiums on Bonds:

Premiums on bonds, net of amortization, reported as a component of bonds payable, amounted to \$388,946 at June 30, 2017. This represents premiums received on the 2012, 2013 and 2015 bond refundings. These premiums are being amortized using the straight-line method over the respective lives of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities.

Unissued Debt

On October 18, 2016, voters approved a bond authorization for a total estimated cost not to exceed \$39,621,180 to finance the reconstruction of various District buildings and facilities. The District has not issued this debt as of June 30, 2017, leaving authorized but unissued debt in the amount of \$39,621,180.

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NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES – DEFERRED CHARGES ON REFUNDINGS

The deferred charges pertaining to the 2012, 2013 and 2015 bond refundings, as recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2017 consisted of the following:

	<u>2012 Refunding</u>	<u>2013 Refunding</u>	<u>2015 Refundings</u>	<u>Total</u>
Deferred charges	\$680,484	\$567,168	\$516,241	\$1,763,893
Accumulated amortization	(277,566)	(205,496)	(117,943)	(\$601,005)
Net deferred charges on defeasance	<u>\$402,918</u>	<u>\$361,672</u>	<u>\$398,298</u>	<u>\$1,162,888</u>

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

NOTE 15– PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

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

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

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	<u>NYSERS</u>	<u>NYSTRS</u>
2017	\$ 586,700	\$ 2,973,517
2016	\$ 714,379	\$ 3,410,837
2015	\$ 576,212	\$ 4,312,055

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Net pension liability	\$ 1,377,930	\$ 1,769,747
District's portion of the Plan's total		
Net pension liability	0.0146647%	0.165236%
Change in proportion since the prior measurement date	-0.0000403%	0.002484%

For the year ended June 30, 2017, the District recognized pension expense of \$809,122 for ERS, and \$2,889,996 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflow of Resources</u>		<u>Deferred Inflow of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 34,530		\$ 209,246	\$ 574,913
Net difference between projected and actual earnings on pension plan investments	275,228	\$ 3,979,322		
Changes of assumptions	470,751	10,081,607		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	82,510		15,279	244,650
District's contributions subsequent to the measurement date	165,587	2,973,517		
	<u>\$ 1,028,606</u>	<u>\$ 17,034,446</u>	<u>\$ 224,525</u>	<u>\$ 819,563</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ 280,626	\$ 1,193,563
2019	280,626	1,193,563
2020	262,133	4,284,015
2021	(184,891)	3,322,485
2022	-	1,503,576
Thereafter	-	1,744,164
	<u>\$ 638,494</u>	<u>\$ 13,241,366</u>

Actuarial Assumptions

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.80%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.5%, annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.50%

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 plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

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

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

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<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2016</u>		<u>June 30, 2015</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.55%	37%	6.1%
International equity	14%	6.35%	18%	7.3%
Private equity	10%	7.75%	7%	9.2%
Real estate	10%	5.80%	10%	5.4%
Absolute return strategies	2%	4.00%		
Opportunistic portfolio	3%	5.89%		
Real assets	3%	5.54%		
Bonds and mortgages	17%	1.31%		
Cash	1%	-0.25%		
Inflation-indexed bonds	4%	1.50%		
Domestic fixed income securities			17%	1.0%
Global fixed income securities			2%	0.8%
Mortgages			8%	3.1%
Short-term			1%	0.1%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.50% 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.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.0% for ERS and 6.5% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.5% for TRS) than the current rate:

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	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
District's proportionate share of the net pension asset (liability)	<u>(\$4,400,836)</u>	<u>(\$1,377,930)</u>	<u>\$1,177,931</u>
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
TRS			
District's proportionate share of the net pension asset (liability)	<u>(\$23,090,375)</u>	<u>(\$1,769,747)</u>	<u>\$16,112,878</u>

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Valuation date	April 1, 2016	June 30, 2015
Employers' total pension liability	\$ (177,400,586)	\$ (108,577,184)
Plan Net Position	<u>168,004,363</u>	<u>107,506,142</u>
Employers' net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (1,071,042)</u>

Ratio of plan net position to the		
Employers' total pension asset/(liability)	94.70%	99.01%

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$165,587.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the 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, 2017 amounted to \$3,112,616.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 16- RETIREMENT PLANS – OTHER:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$30,573 and \$1,646,805, respectively.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) Plan Description:

The District primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program, (the “Plan”) which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

B) Funding Policy:

The contribution requirements of Plan members and the District are established and may be amended by the District. For fiscal year 2017, the District contributed an estimated \$1,855,479 to the Plan. Plan members receiving benefits contribute up to 29% of the health insurance premium, depending on coverage selected and date of retirement. The District recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C) Annual OPEB Cost and Net OPEB Obligation:

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

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Annual required contribution	\$ 4,171,385
Interest on net OPEB obligation	872,540
Adjustment to Annual Required Contribution	<u>(653,612)</u>
Annual OPEB cost (expense)	4,390,313
Contributions made	<u>1,855,479</u>
Increase in net OPEB obligation	2,534,834
Net OPEB obligation-beginning of year	<u>17,450,792</u>
Net OPEB obligation-end of year	<u><u>\$ 19,985,626</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the preceding two years are as follows:

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost	OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$3,393,467	\$3,568,052	\$1,844,144	51.68%	\$15,640,127
6/30/2016	\$3,567,699	\$3,763,910	\$1,953,245	51.89%	\$17,450,792
6/30/2017	\$4,171,385	\$4,390,313	\$1,855,479	42.26%	\$19,985,626

C) Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$45,097,651, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$45,097,651. The covered payroll (annual payroll of active employees covered by the Plan) was \$25,025,737, and the ratio of the UAAL to the covered payroll was 180.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

D) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the District and the plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation prepared by an outside firm, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 5.00% and an annual healthcare cost trend rate of 5.60 % initially, reduced by decrements to an ultimate rate of 3.94%. The UAAL is being amortized as a level of percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2017 was thirty years.

NOTE 18 – RISK MANAGEMENT:

A) General Information:

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 three years.

B) Pool, Risk Sharing:

The District participates in a risk-sharing pool, the Southern Westchester Cooperative Workers' Compensation Self- Insurance Plan, to insure workers' compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

The District pays an annual premium to the pool for its workers' compensation claims coverage. The Plan has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the Plan. Although excess compensation insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim 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.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
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The Plan's total liability for unbilled and opened claims at June 30, 2017, is \$20,582,615. Of this total undiscounted liability, \$588,997 is associated with the District. During the year ended June 30, 2017, the District's contribution to the Plan was \$195,902. The District has transferred all related risk to the plan.

The Plan has issued financial statements for the year ended June 30, 2017. Copies of these statements can be obtained from the District's administrative office.

C) Health and Accident Insurance:

For some of the employee health and accident insurance coverage, the District is a participant in the Statewide Schools Cooperative Health Plan, a public entity risk pool operated for the benefit of 20 individual governmental units located within Westchester County. The District pays an annual premium to the Plan for this health and accident insurance coverage. The Statewide Schools Cooperative Health Plan is considered a self-sustaining risk pool that will provide coverage for its members up to \$100,000 per employee. The Statewide Schools Cooperative Health Plan obtains independent coverage for insured events in excess of the \$100,000 limit and the District has essentially transferred all related risk to the Plan.

NOTE 19- TAX ABATEMENTS:

The Town of Mount Pleasant, under the authority of Section 577(1)(a) of the New York Private Housing Finance Law, entered into a tax abatement program for the purpose of economic development, and general prosperity and economic welfare of the town. The District's property tax revenue was reduced by \$23,420 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$4,010 for these programs during the fiscal year.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as assigned fund balance. At June 30, 2017 the District had encumbered the following amounts:

Assigned: Unappropriated Fund Balance

General fund:

General support	\$ 914,532
Instruction	98,793
Employee benefits	6,424
Total general fund	<u>\$ 1,019,749</u>

Federal fund:

Instruction	<u>\$ 13,910</u>
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School lunch fund

Food service program	<u>\$ 212</u>
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Capital projects fund

Construction	<u>\$ 7,909,009</u>
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B) Grants:

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

C) Litigation:

As of June 30, 2017, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure. However, there are pending tax certiorari proceedings, which may result in the District having to pay future tax refunds. The District has a reserve established to pay future payments for this.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

D) Operating Leases:

The District leases copiers under non-cancelable operating leases. Rental expense for the fiscal year was approximately \$6,863. The following is a summary of obligations of government activities under operating lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018	\$6,863
Total Lease Payments	<u>\$6,863</u>

NOTE 21 – SUBSEQUENT EVENTS:

The District has evaluated subsequent events through October 12, 2017 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$ 44,757,990	\$ 44,757,990	\$ 44,994,337	\$ 236,347
Other tax items	6,678,900	6,678,900	6,447,617	(231,283)
Charges for services	678,000	678,000	456,310	(221,690)
Use of money and property	50,000	50,000	52,100	2,100
Sale of property and compensation for loss	5,500	5,500		(5,500)
Miscellaneous	211,600	211,600	411,923	200,323
State sources				
Basic formula	4,848,143	4,848,143	3,439,664	(1,408,479)
Excess cost aid			982,595	982,595
Lottery aid			334,400	334,400
BOCES aid	964,665	964,665	992,987	28,322
Tuition aid			53,533	53,533
Textbook aid	161,596	161,596	118,190	(43,406)
Computer software aid			43,568	43,568
Library A/V loan program aid			16,675	16,675
Other state aid			15,000	15,000
TOTAL REVENUES	<u>58,356,394</u>	<u>58,356,394</u>	<u>\$ 58,358,899</u>	<u>\$ 2,505</u>
Appropriated fund balance	575,000	575,000		
Appropriated reserves	<u>62,877</u>	<u>391,126</u>		
TOTAL REVENUES, OTHER SOURCES & APPROPRIATED FUND BALANCE	<u>\$ 58,994,271</u>	<u>\$ 59,322,520</u>		

Budget Basis of Accounting

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$ 182,996	\$ 181,316	\$ 160,390	\$ 1,404	\$ 19,522
Central administration	410,374	453,807	414,987	35,800	3,020
Finance	543,831	569,719	538,067	22,550	9,102
Staff	429,001	498,935	487,803	450	10,682
Central services	4,071,490	4,222,163	3,241,196	854,328	126,639
Special items	588,200	890,449	884,756		5,693
Instructional					
Instruction, adm. & imp.	2,227,058	2,196,387	2,040,944	22,428	133,015
Teaching - regular school	16,738,294	17,122,707	16,978,125	66,364	78,218
Programs for children with handicapping conditions	9,127,501	8,711,689	8,286,014		425,675
Instructional media	1,518,594	1,581,297	1,535,724	175	45,398
Pupil services	3,274,524	3,442,136	3,363,255	9,826	69,055
Pupil transportation	2,471,160	2,473,570	2,435,628		37,942
Employee benefits	13,002,930	12,573,433	12,404,053	6,424	162,956
Debt service					
Debt service principal	2,240,000	2,240,000	2,240,000		-
Debt service interest	458,318	458,318	458,317		1
TOTAL EXPENDITURES	57,284,271	57,615,926	55,469,259	1,019,749	1,126,918
Other financing uses					
Transfers to other funds	1,710,000	1,706,594	1,648,278	-	58,316
TOTAL EXPENDITURES AND OTHER USES	\$ 58,994,271	\$ 59,322,520	57,117,537	\$ 1,019,749	\$ 1,185,234
Net change in fund balance			1,241,362		
Fund balance - beginning of year			7,453,769		
Fund balance - end of year			<u>\$ 8,695,131</u>		

Budget Basis of Accounting

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

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST
 EMPLOYMENT BENEFITS (OPEB)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
07/01/14	\$0	\$ 45,271,321	\$ 45,271,321	0%	\$ 24,143,622	188%
07/01/15	\$0	\$ 47,429,946	\$ 47,429,946	0%	\$ 27,609,127	172%
07/01/16	\$0	\$ 45,097,651	\$ 45,097,651	0%	\$ 25,025,737	180%

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET
FOR THE YEARS ENDED JUNE 30,***

NYSERS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.0146647%	0.0147050%	0.0124902%
District's proportionate share of the net pension (liability) asset	\$ (1,377,930)	\$ (2,360,201)	\$ (421,949)
District's covered payroll	\$ 4,131,792	\$ 3,678,606	\$ 3,330,469
District's proportionate share of the net pension (liability) asset as a percentage of its covered employee payroll	33.35%	64.16%	12.67%
Plan fiduciary net position as a percentage of the total pension (liability) asset	94.70%	90.70%	97.95%

NYTRS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension (liability) asset	0.165236%	0.1627520%	0.1600170%
District's proportionate share of the net pension (liability) asset	\$ (1,769,747)	\$ 16,904,781	\$ 17,824,875
District's covered payroll	\$ 25,722,752	\$ 24,589,144	\$ 23,790,145
District's proportionate share of the net pension (liability) asset as a percentage of its covered employee payroll	6.88%	68.75%	74.93%
Plan fiduciary net position as a percentage of the total pension (liability) asset	99.01%	110.46%	111.48%

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

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 586,700	\$ 714,379	\$ 576,212
Contributions in relation to the contractually required contribution	<u>586,700</u>	<u>714,379</u>	<u>576,212</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 4,146,800	\$ 3,779,737	\$ 3,583,067
Contributions as a percentage of covered employee payroll	14.15%	18.90%	16.08%

NYTRS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,973,517	\$ 3,410,837	\$ 4,312,055
Contributions in relation to the contractually required contribution	<u>2,973,517</u>	<u>3,410,837</u>	<u>4,312,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 26,280,573	\$ 25,722,752	\$ 24,598,144
Contributions as a percentage of covered employee payroll	11.31%	13.26%	17.53%

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET-GENERAL FUND
AND SECTION 1318 OF THE REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 58,931,394
Add: Prior year's encumbrances	<u>62,877</u>
Original Budget	58,994,271
Budget revision: Tax Certiorari	<u>328,249</u>
Final Budget	<u><u>\$ 59,322,520</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	<u><u>\$ 58,950,394</u></u>
Maximum allowed (4% of 2017-18 budget)	<u><u>\$ 2,358,016</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 1,269,749
Unassigned fund balance	<u>2,490,927</u>
Total unrestricted fund balance	3,760,676
Less:	
Appropriated fund balance	250,000
Encumbrances included in assigned fund balance	<u>1,019,749</u>
Total adjustments	<u>1,269,749</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,490,927</u></u>
Actual percentage	<u><u>4.23%</u></u>

MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project Title	SED Project #	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2017
				Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Oil Tank Replacement - District Wide	various	\$ 561,400	\$ 421,204	\$ 417,039		\$ 417,039	\$ 4,165			\$ 417,039	\$ 417,039	\$ -
Gas Line - District Wide	various	250,000	215,348	215,348		215,348	-			215,348	215,348	-
Columbus Boiler, HVAC & Gas Line	0-004-009	1,500,000	2,972,848	64,350	\$ 53,376	117,726	2,855,122			2,972,848	2,972,848	2,855,122
Columbus Roof	0-004-010	1,000,000	800,000	30,750	271,581	302,331	497,669			800,000	800,000	497,669
Hawthorne Elementary Construction Project 15-16	0-002-010	500,000	490,000		20,349	20,349	469,651			490,000	490,000	469,651
Elevator - 2016-2017	0-006-011	512,000	512,000		20,068	20,068	491,932			512,000	512,000	491,932
2016 Bond Referendum Projects	various	39,621,180	39,621,180		412,172	412,172	39,209,008				-	(412,172) *
TOTAL		<u>\$ 43,944,580</u>	<u>\$ 45,032,580</u>	<u>\$ 727,487</u>	<u>\$ 777,546</u>	<u>\$ 1,505,033</u>	<u>\$ 43,527,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,407,235</u>	<u>\$ 5,407,235</u>	<u>\$ 3,902,202</u>

* The deficit balance will be eliminated once permanent funding is obtained.

**MOUNT PLEASANT CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENTS IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Capital assets, net		\$ 25,364,133
Add:	Unamortized deferred charges on refundings	764,590
Deduct:		
	Premium	\$ 183,496
	Short-term portion of bonds payable	(525,000)
	Long-term portion of bonds payable	<u>(10,690,000)</u>
		<u>(11,031,504)</u>
Net investment in capital assets		<u>\$ 15,097,219</u>

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

To the Board of Education
Mount Pleasant Central School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Mount Pleasant Central School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mount Pleasant Central School District's basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

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

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

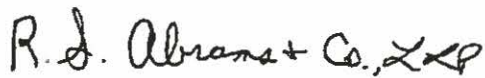
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, flowing style.

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2017