

MORRIS CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

MORRIS CENTRAL SCHOOL DISTRICT

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Independent Auditors' Report

To the Board of Education
Morris Central School District
Morris, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morris Central School District, as of and for the 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 aggregate remaining fund information of the Morris Central School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 16 and required supplementary information on pages 58 - 62 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 Morris Central School District's basic financial statements. The supplementary schedules on pages 65 – 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017, on our consideration of the Morris 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 Morris Central School District's internal control over financial reporting and compliance.



October 11, 2017
Norwich, New York

Management's Discussion and Analysis

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MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the year ended June 30, 2017

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2017. The 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 government wide and fund based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

The following graphic summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

MORRIS CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the year ended June 30, 2017**

Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Statements

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

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

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the year ended June 30, 2017

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

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

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's total Net Position is \$1.1 million. Below is a Condensed Statement of Net Position. Additional details are available in the main financial statement section (page 20). The Statement of Net Position differs from the governmental funds financial statements because a reservation of fund balance in the governmental funds does not necessarily mean they are shown as restricted on the Statement of Net Position. Only those reservations of fund balance are classified as restricted when constraints placed on net asset use are either externally imposed or imposed by law.

Condensed Statement of Net Position (in Thousands)

	Governmental Activities and Total School District			
	2016	2017	Increase / (Decrease)	Percentage Change
Assets & Deferred Outflows				
Current and Other Assets	\$ 6,109	\$ 4,034	(2,076)	-34.0%
Deferred Outflows	867	1,923	1,056	121.8%
Long-Term Assets, Net	11,216	10,876	(340)	-3.0%
	<u>18,192</u>	<u>16,833</u>	<u>(1,360)</u>	<u>-7.5%</u>
Liabilities & Deferred Inflows				
Current Liabilities	2,302	2,114	(188)	-8.2%
Deferred Inflows	649	92	(556)	-85.8%
Long-Term Liabilities	13,222	13,557	335	2.5%
	<u>16,173</u>	<u>15,763</u>	<u>(409)</u>	<u>-2.5%</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	5,247	6,499	1,251	23.9%
Restricted	2,281	2,343	62	2.7%
Unrestricted	(5,509)	(7,772)	(2,263)	41.1%
Total Net Position	<u>\$ 2,019</u>	<u>\$ 1,070</u>	<u>-951</u>	<u>-47.0%</u>

Analysis of Net Position

Net Position may serve as a useful indicator of the district's financial position. At the end of fiscal year 2017, the District's total assets and deferred outflows exceeded liabilities and deferred inflows by \$1.1 million.

The largest portion of the Net Position reflects the District's \$6.5 million investment in capital assets. This is substantially all the District's Net Position, this is an increase of \$1.25 million from the prior year. Since the district uses capital assets to provide services, they are not available for future spending. Further, the resources required to pay this debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Long-term bonds payable decreased by \$919 thousand. The district's proportionate share of the retirement system's pension plan is recorded on the statement of net position increasing overall net position by \$1.4 million.

The district records an obligation to pay long-term post employment benefit to comply with accounting standards, however the policy of the State of New York to not allow the the district to fund the obligation. The current year increase is \$1.2 million, the total recorded on the statement of Net Position is \$9.8 million. The actuarial estimated total amount is \$19.5 million.

MORRIS CENTRAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the year ended June 30, 2017**

The results of this year's operations as a whole are summarized below. The details are reported in the Statement of Activities (page 21). All revenue and expenses for each fiscal year are compared to the prior year with the percentage change. Program Revenues are specific program charges, grants, revenues and contributions that directly related to a specific expense. Generally, if the specific expense was not incurred the program revenue would not be received. General Revenues are not related to a specific expense but to the operation of the district. The two largest general revenues are the State Formula Aid provided by the State of New York, and the local Property Taxes assessed to community taxpayers.

The schedule below takes the information from the Statement of Activities, rearranges it slightly, so you can compare the current year to the prior.

Condensed Changes in Net Position from Operating Results (in Thousands)

	Governmental Activities and Total School District			
	2016	2017	Increase / (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 235	\$ 169	\$ (65)	-28.09%
Operating Grants	477	467	(9)	-2.10%
General Revenues				
Property Taxes and Tax Items	2,902	2,916	14	0.48%
State Formula Aid	6,132	6,426	294	4.79%
Use of Money and Property	15	8	(7)	-46.67%
Miscellaneous	194	136	(59)	-29.90%
Total Revenue	10,004	10,170	166	1.66%
Expenses				
General Support	1,472	1,990	518	35.19%
Instruction	6,783	7,736	953	14.05%
Pupil Transportation	812	880	68	8.37%
Community Service	22	49	28	122.73%
Debt Service Interest	183	159	(25)	-13.11%
School Lunch Program	288	306	19	6.25%
Total Expenses	9,560	11,120	1,560	16.32%
Change in Net Position	\$ 444	\$ (950)	\$ (1,394)	-313.96%

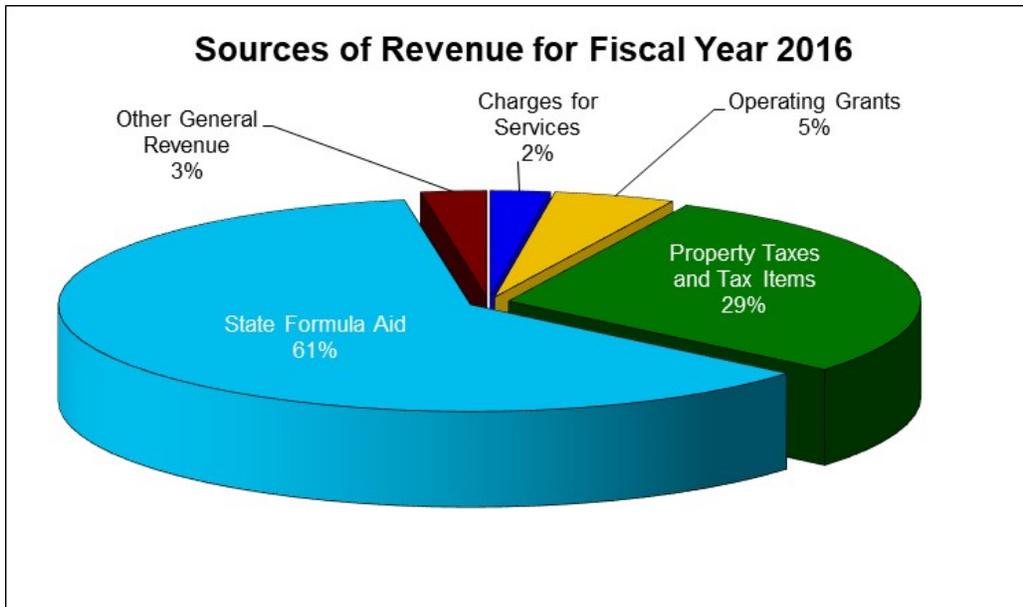
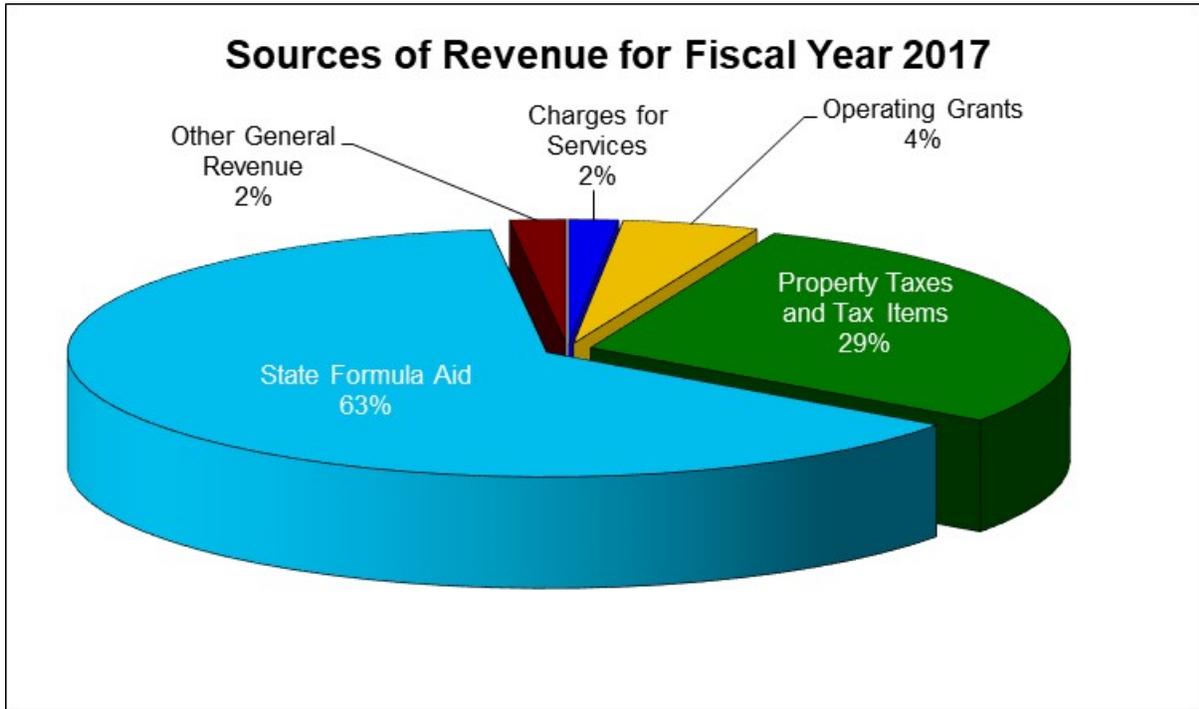
Analysis of Changes in Net Position

The District's total Net Position decreased by \$950 thousand during the year. The most significant expense for the district was in providing for instructional services which increased \$950 thousand. These expenses were offset by revenues of \$467 thousand collected from other governments and operating grants. The District's revenues increased by \$166 thousand or 1.7 percent. The District's expenses increased 16 percent or \$1.6 million.

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

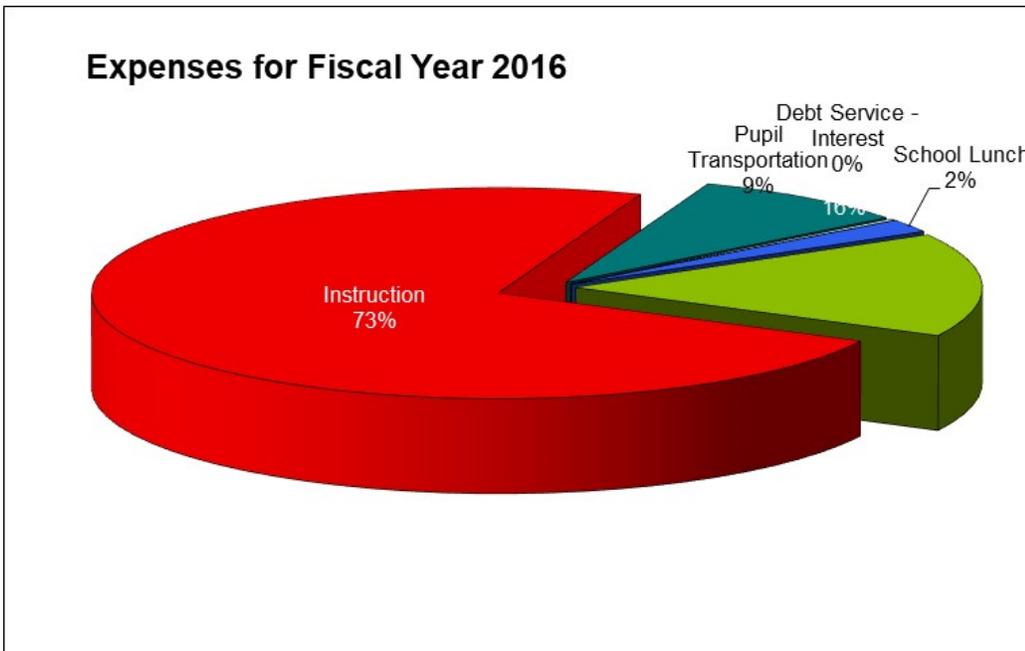
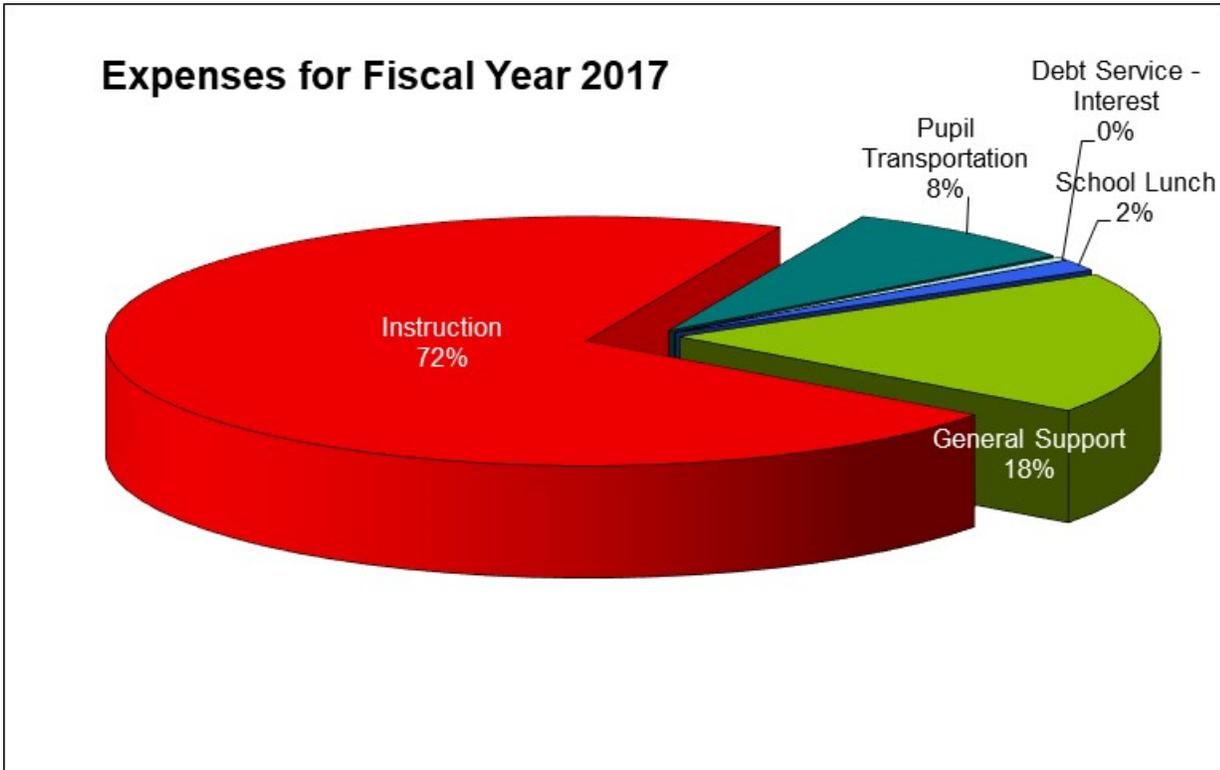
A graphic display of the distribution of revenues for the two years as follows:



MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

A graphic display of the distribution of expenses for the two years as follows:



MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2017, the District governmental funds reported a combined fund balance of \$3.7 million, which is a decrease of \$190 thousand from the prior year. A summary of the change in fund balance is as follows:

	2016	2017	Increase (Decrease)
General Fund			
Restricted for:			
Unemployment insurance	\$ 218,882	\$ 216,487	\$ (2,395)
Retirement contributions	480,537	480,898	361
Liability claims and Property loss	54,497	54,538	41
Insurance	167,792	167,918	126
Tax certiorari	28,967	43,231	14,264
Employee benefit accrued liability	348,961	332,252	(16,709)
Capital	913,820	914,505	685
Repairs	163,424	163,547	123
Assigned to:			
Encumbrances	216,642	366,593	149,951
Subsequent year's expenditures	45,000	37,500	(7,500)
Unassigned	401,169	398,566	(2,603)
	<u>3,039,691</u>	<u>3,176,035</u>	<u>136,344</u>
School Lunch Fund			
Nonspendable:			
Inventory	9,540	11,201	1,661
Assigned	53,384	76,614	23,230
	<u>62,924</u>	<u>87,815</u>	<u>24,891</u>
Debt Service Fund			
Restricted for debt service	313,574	313,892	318
	<u>313,574</u>	<u>313,892</u>	<u>318</u>
Capital Projects Fund			
Restricted for capital projects	432,121	80,293	(351,828)
	<u>432,121</u>	<u>80,293</u>	<u>(351,828)</u>
Total Fund Balance	<u>\$ 3,848,310</u>	<u>\$ 3,658,035</u>	<u>\$ (190,275)</u>

Combined net increases of \$4 thousand to the general fund restricted fund balances during the year includes transfers approved by the Board of Education and interest earnings on existing balances.

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

General Fund Budgetary Highlights

The District tries to balance the needs of our students with that of taxpayers. For the 2016-17 fiscal year, the District had a minimal tax increase and taxes collected agreed to budgeted levels. Actual revenues were only \$39 thousand less than budgeted. A shortage in state and federal aid was offset by revenues from other sources.

Actual expenses for the year came in under budget by \$588 thousand. The General Support variance is primarily a result of lower fuel oil, electricity, contractual and supply costs for the year. Instructional expenses, especially in the area of Special Education, were under budget as well. Student placements and needs fluctuate from year to year it is therefore difficult to budget for. Expenditures for instructional salaries, student tuition and BOCES services were also under budget. Pupil transportation was \$79 thousand under budget for bus driver salaries, overtime and supplies. Employee benefits were \$163 thousand under budget for expenditures into the State retirement system and health and dental insurance.

During the fiscal year, the Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided below:

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 9,782,477
Add: Prior year's encumbrances	210,865
Original budget	<u>9,993,342</u>
Budget revision:	
Transfers from reserves	<u>213,847</u>
Final budget	<u>\$ 10,207,189</u>
Next year's budget is a voter approved budget of	<u><u>\$ 9,694,691</u></u>

Change in General Fund's Unassigned Fund Balance

Opening Unassigned Fund Balance	\$ 401,170
Revenues	9,612,342
Expenditures	(9,475,998)
Net change in restricted funds	3,503
Net change in assigned funds	<u>(142,451)</u>
Closing Unassigned Fund Balance	<u><u>\$ 398,566</u></u>

The opening unassigned fund balance is the portion of the District's June 30, 2016 carryover funds that were not specifically identified to a budget category. This was 4.1 percent of the District's approved 2016-17 operating budget. Based on the summary of changes shown above, the District will begin the 2017-18 fiscal year with an unassigned fund balance of \$399 thousand or 4.1 percent of the 2017-18 approved operating budget.

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

Section 1318 of Real Property Tax Law Limit Calculation

Subsequent year's voter-approved budget of	\$ 9,806,982
Maximum allowed percentage	4%
Limit of unexpended surplus funds	<u>\$ 392,279</u>
General fund balance	
Restricted	\$ 2,373,376
Assigned	404,093
Unassigned	398,566
Total governmental - general fund balance	<u>\$ 3,176,035</u>
Less:	
Restricted not subject to the law	(2,373,376)
Appropriated for subsequent year's budget in assigned	(37,500)
Encumbrances included in assigned	<u>(366,593)</u>
	<u>(2,777,469)</u>
General fund balance subject to limit	<u>\$ 398,566</u>
Calculated actual percentage	<u>4.064%</u>

The District's General Fund adopted budget for the year was \$9.8 million. This was an increase of \$300 thousand over the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of budgeted revenue was state aid amounted to \$6.5 million or 66 percent, and district real estate property taxes were \$2.9 million or 30 percent.

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the year ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$19 million in a broad range of capital assets, including land, land improvements, buildings, furniture, equipment and vehicles. Depreciation expense for the year was \$600 thousand. The following schedule is the net value of these assets, which includes additions, deletions and depreciation. Additional detail information is included in *Note 8* to the financial statement.

Capital Assets (Net of Depreciation) (in thousands)

	Governmental Activities and Total School District			
	2016	2017	Increase / (Decrease)	Percentage Change
Land, easements & right of way	\$ 180	\$ 180	\$ -	0.0%
Construction in Progress	1,927	-	(1,927)	-100.0%
Land improvements	104	80	(24)	-23.1%
Buildings and improvements	8,111	9,634	1,523	18.8%
Furniture and equipment	273	240	(33)	-12.1%
Transportation vehicles	622	743	121	19.5%
Total	<u>\$ 11,217</u>	<u>\$ 10,877</u>	<u>\$ (340)</u>	-3.0%

Debt Administration

The District has outstanding debt in serial bonds of \$4.78 million. Additional detail information is included in *Notes 9 and 10* to the financial statement.

Outstanding Long Term Debt (in thousands)

	Total School District			
	2016	2017	Increase / (Decrease)	Percentage Change
General Obligation Bonds	\$ 5,707	\$ 4,788	\$ (919)	-16.1%
Compensated Absences	251	269	18	7.2%
Other Post Employment Benefits	8,672	9,823	1,151	13.3%
Net Pension Liability	380	409	29	7.6%
Total	<u>\$ 15,010</u>	<u>\$ 15,289</u>	<u>\$ 279</u>	1.9%

Total long-term debt includes all bonds and installment loans. The District has paid \$1 million in principal and \$159 thousand in interest on its outstanding bonds. The constitutional debt limit allows the District to have outstanding debt equal to or less than 10.0 percent of the full value on the most recent tax roll. At June 30, 2017 the outstanding debt of the District represented approximately 40 percent of the limit.

MORRIS CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis For the year ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District will continue to fund reserves to adequate levels in preparation of years to come.

The District will continue to seek alternative sources of funding in order to offset the exhaustion of various Federal and State funding.

The economy is a very important consideration in all current and future fiscal analysis that is provided to the community.

The cost of employee benefits continues to be a major budgetary factor for Morris Central School District and all school districts. There continues to be rapid growth in the cost of health insurance, retirement benefits and current retirement costs. The rising costs of funding the Teachers' Retirement System and Employees' Retirement System are projected to have significant budgetary impact in the near to intermediate future. The effects of any crisis on Wall Street and the financial markets are expected to have a negative impact on the contribution rate in the future.

The School District has worked with an actuarial firm to project long-term liabilities for retiree health insurance coverage (as afforded by contract) and continues to fund reserves for anticipated retirement incentive costs.

The School District is continuing construction projects in 2017-18 which were approved by voters in 2013. The projects are for the Maintenance Building and a Main Building. Improvements will be made to the maintenance building structure and related mechanical systems. The Main Building project is to upgrade building mechanical systems as outlined in the 5 year maintenance plan and the required technology improvements.

The Board of Education and the Superintendent are providing outstanding leadership in balancing the educational needs of the students with available financial and human resources.

The District continues to experience declines in Federal and State grants support. Grant-funded services continue to be absorbed into the General Fund Budget. Other grant-funded services are being reduced or eliminated as a result of this diminishing source of funding.

The superintendent, district treasurer, claims auditor and new Board of Education members continue to attend workshops and training on fiscal management.

REQUESTS FOR INFORMATION

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

Business Manager
Morris Central School District
65 Main Street, PO Box 40
Morris, New York 13808

Basic Financial Statements

MORRIS CENTRAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2017

ASSETS

Cash	
Unrestricted	\$ 1,006,202
Restricted	2,343,375
Receivables	
Accounts receivable	11,688
Due from fiduciary funds	1
State and federal aid receivable	335,466
Due from other governments	325,332
Inventories	11,201
Capital assets, net	10,876,328
Total Assets	<u>14,909,593</u>

DEFERRED OUTFLOW OF RESOURCES

Pensions	1,923,279
Total Deferred Outflow of Resources	<u>1,923,279</u>

LIABILITIES

Payables	
Accounts payable	22,126
Due to other governments	231
Bond interest and matured bonds	6,687
Long-term liabilities	
Due and payable within one year	
Bonds payable	1,130,194
Due to teachers retirement system	314,411
Due to employees retirement system	38,462
Compensated absences payable	26,876
Other postemployment benefits payable	575,153
Due and payable after one year	
Bonds payable	3,658,008
Compensated absences payable	241,883
Other postemployment benefits payable	9,247,779
Net pension liability, proportionate share	409,088
Total Liabilities	<u>15,670,898</u>

DEFERRED INFLOW OF RESOURCES

Pensions	92,297
Total Deferred Inflows of Resources	<u>92,297</u>

NET POSITION

Investment in capital assets, net of related debt	6,498,755
Restricted	2,343,375
Unrestricted (deficit)	<u>(7,772,453)</u>
Total Net Position	<u>\$ 1,069,677</u>

MORRIS CENTRAL SCHOOL DISTRICT

**Statement of Net Activities and Changes in Net Position
For the year ended June 30, 2017**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 1,989,189	\$ -	\$ -	\$ (1,989,189)
Instruction	7,736,224	83,359	314,008	(7,338,857)
Pupil transportation	880,039	-	-	(880,039)
Community service	49,322	-	-	(49,322)
Debt service - interest	158,568	-	-	(158,568)
School lunch program	306,396	86,044	153,450	(66,902)
	<u>\$ 11,119,738</u>	<u>\$ 169,403</u>	<u>\$ 467,458</u>	<u>\$ (10,482,877)</u>
GENERAL REVENUES				
Real property taxes				\$ 2,430,008
Other tax items				485,805
Use of money and property				7,546
Miscellaneous				135,746
State sources				6,426,133
Federal sources				48,030
				<u>9,533,268</u>
Total General Revenues				
Change in Net Position				(949,609)
Total Net Position - Beginning of year (restated)				<u>2,019,286</u>
Total Net Position - End of year				<u>\$ 1,069,677</u>

MORRIS CENTRAL SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
June 30, 2017**

ASSETS	General	Special Aid	School Lunch
Cash			
Unrestricted	\$ 577,678	\$ 3,704	\$ 14,191
Restricted	2,343,375	-	-
Receivables			
Accounts receivable	8,427	-	3,261
Due from other funds	225,043	-	61,643
Due from fiduciary funds	1	-	-
State and federal aid receivable	129,397	206,069	-
Due from other governments	325,332	-	-
Inventories	-	-	11,201
Total Assets	\$ 3,609,253	209,773	90,296
LIABILITIES			
Payables			
Accounts payable	\$ 18,702	-	2,250
Due to:			
Due to other funds	61,643	209,773	-
Due to Teachers' Retirement System	314,411	-	-
Due to Employees' Retirement System	38,462	-	-
Deferred revenues	-	-	231
Total Liabilities	433,218	209,773	2,481
FUND BALANCES			
Nonspendable:			
Inventories	-	-	11,201
Restricted for:			
Unemployment insurance	216,487	-	-
Retirement contributions	480,898	-	-
Liability claims and property loss	54,538	-	-
Insurance	167,918	-	-
Tax certiorari	43,231	-	-
Employee benefit accrued liability	332,252	-	-
Capital	914,505	-	-
Repairs	163,547	-	-
Debt service	-	-	-
Assigned to:			
Encumbrances	366,593	-	-
Subsequent year's budget	37,500	-	-
Unassigned	398,566	-	76,614
Total Fund Balances	3,176,035	-	87,815
Total Liabilities and Fund Balances	\$ 3,609,253	\$ 209,773	\$ 90,296

Debt Service	Capital Projects	Total Governmental Funds
\$ 313,768	\$ 96,861	\$ 1,006,202
-	-	2,343,375
-	-	11,688
124	-	286,810
-	-	1
-	-	335,466
-	-	325,332
-	-	11,201
<u>313,892</u>	<u>96,861</u>	<u>4,320,075</u>
-	1,174	22,126
-	15,394	286,810
-	-	314,411
-	-	38,462
-	-	231
<u>-</u>	<u>16,568</u>	<u>662,040</u>
-	-	11,201
-	-	216,487
-	-	480,898
-	-	54,538
-	-	167,918
-	-	43,231
-	-	332,252
-	-	914,505
-	-	163,547
313,892	-	313,892
-	-	366,593
-	-	37,500
-	80,293	555,473
<u>313,892</u>	<u>80,293</u>	<u>3,658,035</u>
<u>\$ 313,892</u>	<u>\$ 96,861</u>	<u>\$ 4,320,075</u>

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MORRIS CENTRAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statement
of net position are different due to the following:

Total fund balances - governmental funds \$ 3,658,035

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 10,876,328

Proportionate share of long-term asset and liability associated with
participation in state retirement systems are not current financial
resources or obligations and are not reported in the funds

Net pension asset	-
Net pension liability	(409,088)
Deferred outflows	1,923,279
Deferred inflows	(92,297)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds:

Other Post Employment Benefits	(9,822,932)
Compensated Absences	(268,759)
Serial Bonds	(4,788,202)
Accrued Interest on Long Term Debt	<u>(6,687)</u>

Net Position of Governmental Activities: \$ 1,069,677

MORRIS CENTRAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the year ended June 30, 2017**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>
REVENUES			
Real property taxes	\$ 2,430,008	\$ -	\$ -
Other tax items	485,805	-	-
Charges for services	83,359	-	-
Use of money and property	7,226	-	2
Miscellaneous	131,782	-	3,964
State sources	6,426,134	116,884	5,063
Federal sources	48,029	197,124	148,387
Sales - school lunch	-	-	86,044
Total Revenues	<u>9,612,343</u>	<u>314,008</u>	<u>243,460</u>
EXPENDITURES			
General support	1,192,948	-	103,495
Instruction	4,020,098	313,237	-
Pupil transportation	448,045	-	-
Community service	37,981	-	-
Employee benefits	2,382,255	13,207	63,491
Debt service			
Principal	1,104,427	-	-
Interest	159,512	-	-
Cost of sales	-	-	101,583
Capital outlay	68,297	-	-
Total Expenditures	<u>9,413,563</u>	<u>326,444</u>	<u>268,569</u>
Excess (Deficiency) of Revenues over Expenditures	<u>198,780</u>	<u>(12,436)</u>	<u>(25,109)</u>
OTHER FINANCING SOURCES AND USES			
Proceeds from debt	-	-	-
Operating transfers in	-	12,436	50,000
Operating transfers (out)	(62,436)	-	-
Total Other Sources (Uses)	<u>(62,436)</u>	<u>12,436</u>	<u>50,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	136,344	-	24,891
Fund Balances - Beginning of year	<u>3,039,691</u>	<u>-</u>	<u>62,924</u>
Fund Balances - End of year	<u>\$ 3,176,035</u>	<u>\$ -</u>	<u>\$ 87,815</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,430,008
-	-	485,805
-	-	83,359
318	-	7,546
-	-	135,746
-	-	6,548,081
-	-	393,540
-	-	86,044
<u>318</u>	<u>-</u>	<u>10,170,129</u>
-	-	1,296,443
-	-	4,333,335
-	-	448,045
-	-	37,981
-	-	2,458,953
-	-	1,104,427
-	-	159,512
-	-	101,583
-	537,747	606,044
<u>-</u>	<u>537,747</u>	<u>10,546,323</u>
<u>318</u>	<u>(537,747)</u>	<u>(376,194)</u>
-	185,919	185,919
-	-	62,436
<u>-</u>	<u>-</u>	<u>(62,436)</u>
<u>-</u>	<u>185,919</u>	<u>185,919</u>
318	(351,828)	(190,275)
<u>313,574</u>	<u>432,121</u>	<u>3,848,310</u>
<u>\$ 313,892</u>	<u>\$ 80,293</u>	<u>\$ 3,658,035</u>

MORRIS CENTRAL SCHOOL DISTRICT

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2017**

Net Changes in Fund Balance - Total Governmental Funds **\$ (190,275)**

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

	Depreciation Expense	(606,831)	
	Capital Outlays	606,044	
	Retirement/Disposal of Capital Assets	<u>(339,307)</u>	(340,094)

Changes in proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the government funds.

	Teachers' retirement system	(129,846)	
	Employees' retirement system	<u>(40,343)</u>	(170,189)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds.

	Repayment of Bond Principal	1,104,427	
	Proceeds from Debt	<u>(185,919)</u>	918,508

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

	Change in Compensated Absences	(17,278)	
	Change in Other Post Employment Benefits Payable	(1,151,225)	
	Change in Accrued Interest	<u>944</u>	<u>(1,167,559)</u>

Change in Net Position - Governmental Activities **\$ (949,609)**

MORRIS CENTRAL SCHOOL DISTRICT

**Statement of Fiduciary Net Position
June 30, 2017**

	Private Purpose Trusts	Agency
ASSETS		
Cash and cash equivalents	\$ 348,771	\$ 38,374
Investments at market value	35,428	-
Accounts receivable	-	-
Total Assets	\$ 384,199	\$ 38,374
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 38,374
Due to governmental funds	-	1
Total Liabilities	-	\$ 38,375
NET POSITION		
Reserved for scholarships	\$ 384,199	

**Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2017**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 18,470
Unrealized gain on marketable securities	144
Investment earnings	1,447
Total Additions	20,061
DEDUCTIONS	
Scholarships and awards	19,365
Change in Net Position	696
Net Position - Beginning of year	383,503
Net Position - End of Year	\$ 384,199

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MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A) Reporting Entity

The Morris Central School 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 five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. 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 other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent cash funds of the students of the District. The Board of Education exercises general oversight of these cash 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 are included with this report. The district accounts for cash assets held as an agent for various student organizations in an agency fund.

2) Scholarship Funds

The Scholarship Funds of the District represent funds of donors. The Board of Education exercises general oversight of these funds. These funds are independent of the District with respect to its financial transactions. Separate audited fiduciary schedules of the Scholarship Funds are included with this report. The district accounts for assets held as an agent for various student organizations in a Trust fund.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

B) Joint Venture

The District is one of several component school districts in the Otsego Northern Catskill Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share 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.

During the year, the District was billed \$1,484,237 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$531,744. Financial statements for BOCES are available from the BOCES administrative office.

C) Basis of Presentation

1) District-wide statements:

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

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

2) Fund financial statements:

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. If some funds are treated as non-major, add "All remaining governmental funds are aggregated and reported as non-major funds."

The District reports the following major governmental funds:

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

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and State grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

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

Fiduciary Funds: 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 are two classes of fiduciary funds:

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

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

D) Measurement focus and basis of accounting

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 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.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st, and become a lien on August 31st. Taxes are collected during the period September 1st to October 31st.

Uncollected real property taxes are subsequently enforced by the County in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement 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 interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

I) Cash (and cash equivalents)/Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

Collateral is required for demand and time deposits and certificates of 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.

J) Investments in Marketable Securities

Investments are accounted for in the fiduciary funds. The District carries investments in marketable securities and all debt securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Fiduciary Net Position. Unrealized gains and losses are included in the change in Net Position in the accompanying Statement of Changes in Fiduciary Net Position

K) Receivable (or Accounts receivable)

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

L) Inventories and prepaid items

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

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

M) Other assets/restricted assets

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

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

N) Capital assets

Capital assets are reported at actual cost for acquisitions subsequent to December 29, 2009. For assets acquired prior to this date, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

<u>Classes of Capital Assets</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land Improvements	\$10,000	Straight Line	20 Years
Buildings and Improvements	\$10,000	Straight Line	20 – 50 Years
Furniture, Equipment and Vehicles	\$1,000	Straight Line	5 – 20 Years

Capital assets that are not depreciated include land and construction in progress. Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

O) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

P) Deferred revenues

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

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Many deferred revenues recorded in governmental funds are not recorded in the District-wide statements.

Q) Vested employee benefits

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

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 sick leave.

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 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination 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 funds 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.

R) Other benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits to 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 expense.

S) 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 RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

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 BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

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

U) Equity classifications

District-wide statements

In the district-wide statements there are three classes of Net Position:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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.

Fund statements:

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

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 \$11,570.

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;

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance.

Restricted fund balance includes the following:

General Fund:

Unemployment Insurance	\$ 216,487
Retirement Contributions	480,898
Liability Claims and Property Loss Insurance	54,538
Tax Certiorari	167,918
Employee Benefit Accrued Liability	43,231
Capital	332,252
Repairs	914,505
Total General Fund	<u>163,547</u>
	\$ 2,156,889

Debt Service Fund:

Debt Service	<u>313,892</u>
Total restricted funds	<u>\$ 2,470,781</u>

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

The School District has established the following restricted fund balances:

Employee Benefit Accrued Liability

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

Insurance

According to General Municipal Law §6-n, must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

Repairs

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

Debt Service

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

Tax Certiorari

According to Education Law §3651.1-a, 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.

Retirement Contributions

According to General Municipal Law §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.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Liability Claims and Property Loss

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

Unemployment Insurance

According to General Municipal Law §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 School 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.

Committed fund balance - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2016.

Assigned fund balance - Includes amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund.

Assigned fund balance includes the following:

General Fund:	
Encumbrances	\$ 366,593
Subsequent year's budget	37,500
Total General Fund	<u>\$ 404,093</u>
Capital Projects Fund	
Subsequent year's budget	80,293
Total assigned funds	<u><u>\$ 484,386</u></u>

Unassigned fund balance - Includes all other General Fund Net Position that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Spending Prioritization:

Unless the determination to use restricted, committed or assigned fund balance is made by the District prior to spending amounts on an expenditure incurred, the spending prioritization policy of the District shall be followed.

In the case that expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available; the District considers unrestricted amounts to have been spent. In the case that expenditures are incurred for which committed, assigned, and unassigned fund balance is available; the District considers unassigned amounts to have been spent. The specific fund balance spending prioritization of the District is as follows:

1. Unassigned
2. Assigned
3. Committed
4. Restricted

V) New Accounting Standards

- 1) The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:
- 2) GASB has issued Statement No. 72, Fair Value Measurement and Application, effective for the year ending June 30, 2017.

W) Future Changes in Accounting Standards

- 1) The school district will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material:
- 2) 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 Statements 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.
- 3) GASB has issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the year ending June 30, 2017. GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ending June 30, 2017.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

A) Total fund balances of governmental funds vs. net 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. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

1) Long-term revenue 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.

2) Capital related differences:

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

3) Long-term debt transaction differences:

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 3 CHANGES IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2017, the District implemented GASB 77 Tax Abatement Disclosures. See note 17 for the financial statement impact of the implementation of the statement.

Note 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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:

- General Fund

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations 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. No supplemental appropriations occurred during the year.

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

- Capital Project

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.

The Capital Projects had a fund balance of \$96,861.

- Special Aid Funds

Budgets are established by grantors and used for individual program fund expenditures. The maximum program amount authorized is based upon the grantor contracts and agreements not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the program.

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

of year-end are presented as reservations 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.

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

Cash

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

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	<u>\$ -</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	<u>\$ 3,934,233</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$2,343,375 within the governmental funds and \$387,145 in the fiduciary funds.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 6 INVESTMENTS

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either: (A) Insured or registered, or investments held by the District or by the District's agent in the District's name, or (B) Uninsured and unregistered, with the investments held by the financial institutes trust department in the District's name, or (C) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not in the District's name.

The investments as follows:

Category	Description	Quantity	Cost	Fair Value	Unrealized Gain (Loss)
(B)	Pax World Balanced Individual Class mutual fund	389	\$ 6,188	\$ 8,285	\$ 2,097
(A)	International Business Machines	200	5,000	30,444	25,444
			\$ 11,188	\$ 38,729	27,541
Unrealized Gain (Loss) at June 30, 2016					28,335
Net Change in Unrealized Gains (Losses)					\$ (794)

The net change in the unrealized gain or loss is recognized as investment income. The School District's securities are recorded as endowment scholarships in the Private Purpose Trust Fund as a nonexpendable. The income received from these investments is used to fund the Memorial Scholarship Funds. The District carries investments in marketable securities and all debt securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Fiduciary Net Position. Unrealized gains and losses are included in the change in Net Position in the accompanying Statement of Changes in Fiduciary Net Position.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 7 CAPITAL ASSETS

General fixed assets are carried at estimated historical cost. The value of these assets, including any donated assets, are measured at the most recent cash or cash equivalent price of the asset as established by an independent appraiser, Industrial Appraisal Company, Inc. The most recent appraisal date was January 21, 2016. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Any costs related to the asset that are incurred after the appraisal date such as additions, improvements, or replacements are added to the value of the asset if they provide future service potential; otherwise, they are expended in the period of occurrence. Proceeds from dispositions of property are included in income.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land, Easements & Right of Way	\$ 180,000	-	-	\$ 180,000
Construction in Progress	1,926,850	-	(1,926,850)	-
Total nondepreciable historical cost	2,106,850	-	(1,926,850)	180,000
Capital assets that are depreciated:				
Land Improvements	639,173	-	-	639,173
Buildings and Improvements	13,779,847	231,523	1,695,327	15,706,697
Furniture and equipment	1,200,570	68,297	(47,748)	1,221,119
Transportation vehicles	1,014,149	306,223	(174,507)	1,145,865
Total depreciable historical cost	16,633,739	606,043	1,473,072	18,712,854
Less accumulated depreciation:				
Land Improvements	534,861	24,441	-	559,302
Buildings and Improvements	5,669,300	403,798	-	6,073,098
Furniture and equipment	927,887	53,653	-	981,540
Transportation vehicles	392,119	124,939	(114,472)	402,586
Total accumulated depreciation	7,524,167	606,831	(114,472)	8,016,526
Total depreciable and non-depreciable historical cost, net	<u>\$ 11,216,422</u>			<u>\$ 10,876,328</u>

The district does not have infrastructure assets as defined by GASB publications.

Depreciation expense was charged to governmental functions as follows:

Administrative services	\$ 26,938
Regular instruction	309,149
Special education instruction	42,985
Pupil services	49,731
Operating & maintenance of plant	7,632
Pupil transportation	159,808
School lunch program	10,588
	<u>\$ 606,831</u>

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 8 SHORT-TERM DEBT

The District may issue Revenue Anticipation Notes and Tax Anticipation Notes, 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 an insufficient or no provision is 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, 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.

There was no short-term debt activity during the year:

Note 9 LONG-TERM DEBT

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

Governmental Activities:	Beginning Balance	Addition/ Issued	Deletion/ Redeemed	Ending Balance	Amounts Due Within One Year
Bonds and notes payable	\$ 5,706,710	185,919	1,104,427	\$ 4,788,202	\$ 1,130,194
Other liabilities:					
Compensated absences	251,480	42,427	25,148	268,759	26,876
Other postemployment benefits	8,671,708	1,786,990	635,766	9,822,932	-
Total other liabilities	8,923,188	1,829,417	660,914	10,091,691	26,876
Total noncurrent liabilities	<u>\$ 14,629,898</u>	<u>2,015,336</u>	<u>1,765,341</u>	<u>\$ 14,879,893</u>	<u>\$ 1,157,070</u>

The following is a summary of maturity of bond indebtedness:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2017
Serial Bond 2014	6/23/2014	6/15/2030	2.554%	\$ 1,530,000
Serial Bond 2012	6/15/2003	6/15/2020	2.791%	2,575,000
Serial Bond 2006	10/15/2006	6/15/2023	4.500%	185,000
Bus Bond 2017	5/11/2017	5/11/2022	2.680%	185,919
Bus Bond 2016	5/12/2016	5/12/2021	2.490%	129,226
Bus Bond 2015	5/14/2015	5/14/2020	2.690%	92,737
Bus Bond 2014	5/16/2014	5/16/2019	2.930%	61,056
Bus Bond 2013	5/17/2013	5/17/2018	2.460%	29,264
				<u>\$ 4,788,202</u>

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Principal and interest payments due on bonds payable is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	1,130,194	134,485	1,264,679
2019	1,130,931	103,607	1,234,538
2020	1,125,403	75,817	1,201,220
2021	219,490	39,635	259,125
2022	187,184	33,671	220,855
2023 - 2027	650,000	108,388	758,388
2028 - 2032	345,000	19,275	364,275
Total	<u>\$ 4,788,202</u>	<u>\$ 514,878</u>	<u>\$ 5,303,080</u>

Interest on debt was composed of:

Interest paid	\$ 159,512
Less: interest accrued in the prior year	(7,631)
Add: interest accrued in current year	<u>6,687</u>
	<u>\$ 158,568</u>

Note 10 INTERFUND BALANCES AND EQUITY

	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expense</u>
General Fund	\$ 225,044	61,643	-	62,436
Special Aid Fund	-	209,773	12,436	-
School Food Service Fund	61,643	-	50,000	-
Debt Service Fund	124	-	-	-
Capital Projects Fund	-	15,394	-	-
Total Government activities	<u>286,811</u>	<u>286,810</u>	<u>62,436</u>	<u>62,436</u>
Trust and Agency	-	1	-	-
Total	<u>\$ 286,811</u>	<u>286,811</u>	<u>62,436</u>	<u>62,436</u>

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

Note 11 PENSION PLANS

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

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Provisions and administration: A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 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.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. 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 financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

Funding policies: The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, was:

<u>Contributions</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2017	\$ 108,934	\$ 335,113
2016	106,831	327,097
2015	163,595	437,217

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

Since 1989, the ERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the District exercised. As a result, the total unpaid liability at the end of the year was \$-0-.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERED OUTFLOWS OF RESOURCES AND DEFERED INFLOWS OF RESOURCES RELATED TO PENSIONS

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

	NYSERS	NYSTRS
Actuarial valuation date	3/31/2017	6/30/2016
Net pension asset/(liability)	\$ (237,064)	\$ (172,024)
District's portion of the Plan's total net pension asset/(liability)	0.002523%	0.016061%

For the year ended June 30, 2017, the District's recognized pension expense of \$40,343 for ERS and the actuarial value \$129,846 for TRS. At June 30, 2017 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	NYSERS	NYSTRS	NYSERS	NYSTRS
Differences between expected and actual experience	\$ 5,941	\$ -	\$ 36,000	\$ 55,883
Changes of assumptions	80,990	979,958	-	-
Net difference between projected and actual earnings on pension plan investments	47,351	386,800	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	30,936	62,663	414	-
District's contributions subsequent to the measurement date	-	-	-	-
	\$ 165,218	\$ 1,429,421	\$ 36,414	\$ 55,883

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>NYSERS</u>	<u>NYSTRS</u>
Year ended:		
2017	\$ -	\$ 129,387
2018	56,289	129,387
2019	56,289	429,787
2020	44,940	336,323
2021	(28,713)	159,521
Thereafter	-	189,135

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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	3/31/2017	6/30/2016
Actuarial valuation date	4/1/2016	6/30/2015
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
Inflation rate	2.5%	2.5%

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. 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, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. 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.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

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

	ERS	TRS
Measurement date	3/31/2017	6/30/2016
Asset Type:		
Domestic equities	4.6%	6.1%
International equities	6.4%	7.3%
Private equity	7.8%	9.2%
Real estate	5.8%	5.4%
Absolute return strategies	4.0%	n/a
Alternative investments	n/a	n/a
Opportunistic portfolio	5.9%	n/a
Real assets	5.5%	n/a
Domestic fixed income	n/a	1.0%
Global fixed income	n/a	0.8%
Bonds and mortgages	1.3%	3.1%
Cash	-0.3%	n/a
Inflation-indexed bonds	1.5%	n/a
Short-term	n/a	0.1%

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 7.5% 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.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

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 liability calculated using the discount rate of 7.5% for ERS and 8% 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 (6.5% for ERS and 7% for TRS) or 1-percentagepoint higher (8.5% for ERS and 9% for TRS) than the current rate :

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
NYSERS			
Employer's proportionate share of the net pension asset (liability)	\$ (757,137)	\$ (237,064)	\$ 202,656
	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
NYSTRS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,244,444)	\$ (172,024)	\$ 1,566,213

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	Total
Valuation date	4/1/2016	6/30/2015	
Employers' total pension asset/(liability)	\$ (177,400,586)	\$ (108,577,184)	\$ (285,977,770)
Plan Net Position	(168,004,363)	(107,506,142)	(275,510,505)
Employers' net pension asset/(liability)	\$ (345,404,949)	\$ (216,083,326)	\$ (561,488,275)
Ratio of plan net position to the			
Employers' total pension asset/(liability)	94.7%	99.0%	96.3%

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 \$38,462.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

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. 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 \$314,411.

Note 12 POST-EMPLOYMENT BENEFITS

The District provides post-employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

Plan Description and Annual OPEB Cost

The school district provides medical, Medicare Part B, dental and vision benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the school district has in place with different classifications of employees.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 84 retired employees receive health benefits from the school district. The school district pays 60% of the cost of the retiree and their spouse's benefits until age 65; at age 65 the district pays 80%. The cost of providing this health insurance is recognized annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2017, the school district recognized \$664,694 for its share of insurance premiums for currently enrolled retirees.

The school district has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other post-employment benefits is \$19,462,872.

The school district's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the school district annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation:

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Annual Required Contribution and Net OPEB Obligation		
1	Normal Cost	\$ 868,999
2	Amortization Cost	1,082,250
3	Annual Required Contribution (ARC)	\$ 1,951,249
4	Interest on Net OPEB Obligation	346,868
5	Adjustment to ARC	(482,198)
6	Annual OPEB Cost	\$ 1,815,919
7	Contributions made	664,694
8	Increase in net OPEB Obligation	\$ 1,151,225
9	Prior Net OPEB obligation	8,671,708
10	Net OPEB obligation	\$ 9,822,933

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2017	\$ 1,815,919	\$ 664,694	36.6%	\$ 9,822,933
6/30/2016	\$ 1,734,980	\$ 635,766	36.6%	\$ 8,671,708
6/30/2015	\$ 2,016,692	\$ 727,183	36.1%	\$ 7,572,494

Funding Status: As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$19,462,872 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,462,872. The covered payroll (annual payroll of active employees covered by the plan) was \$3,296,273, and the ratio of the UAL to the covered payroll was 633%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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 July 1, 2016 the actuarial valuation, the Entry Age Normal Method (EAN) was used, The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and the annual initial year healthcare cost trend rate is assumed to be 7.5% for 2017 and the ultimate trend rate of 4.5% will take effect in 2022. The UAAL is being amortized on an open basis. The remaining amortization period at June 30, 2017 was 30 years.

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

Note 13 RISK MANAGEMENT

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

The District participates in Catskill Area Schools Employee Benefit Plan, a nonrisk-retained public entity risk pool for its employee health insurance coverage. The pool is operated for the benefit of numerous individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of the \$250,000 limit, and the District has essentially transferred all related risk to the pool.

The District participates in Catskill Area Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This 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's share of the liability for unbilled and open claims, if any, was unknown as of June 30, 2017. During the current year, the School District paid \$27,356 in net fees.

Note 14 FUND BALANCES

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Funds Balance Sheet.

Note 15 DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships. Donor-restricted endowments are reported at fair value. The amount of net appreciation on investments of donor-restricted endowments that is available for authorization for expenditure by the District is \$153,499. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

Note 16 TAX ABATEMENTS

The District does not have any property tax abatement agreements in place as of June 30, 2017. The District is not subject to any tax abatement agreements entered into by other governmental entities as of June 30, 2017.

Note 17 CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability:

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.

Contingent Liability for Sick Leave:

The District does not accrue a liability for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of GASB #16, the value for accumulating, non-vesting sick leave is considered a contingent liability estimated at \$96,000 as of June 30, 2017.

Potential Liability to New York State:

MORRIS CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements

The District has receives state aid revenue sharing and grants, which are subject to audit by New York State Comptroller's Office. Such audits may result in adjustments to revenues. Based on prior audits, the district's administration believes any adjustments will be immaterial.

Note 18 SUBSEQUENT EVENTS

The District has evaluated subsequent events through the issuance date of the financial statements. None were considered material to the issued financial statements.

Required Supplementary Information

MORRIS CENTRAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (non-GAAP basis) and Actual – General Fund
For the year ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual
REVENUES				
Local Sources				
Real property taxes	\$ 2,905,892	\$ 2,905,892	\$ 2,430,008	\$ (475,884)
Other tax items	11,000	11,000	485,805	474,805
Charges for services	121,600	121,600	83,359	(38,241)
Use of money and property	300	300	7,226	6,926
Miscellaneous	80,000	80,000	131,782	51,782
Total Local Sources	3,118,792	3,118,792	3,138,179	19,387
State Sources	6,473,685	6,473,685	6,426,133	(47,552)
Federal Sources	20,000	20,000	48,030	28,030
Total Revenues	9,612,477	9,612,477	9,612,342	(135)
OTHER FINANCING SOURCES				
Appropriated reserves	125,000	125,000	-	
Appropriated fund balance	45,000	569,713	-	
Total Other Financing Sources	170,000	694,713	-	
Total Revenues & Other Financing Sources	\$ 9,782,477	\$ 10,307,190	\$ 9,612,342	

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 8,980	\$ 13,291	\$ 11,983	\$ -	\$ 1,308
Central administration	165,699	168,491	165,424	1,921	1,146
Finance	213,919	230,318	211,038	13,779	5,501
Staff	19,124	38,772	37,277	-	1,495
Central services	569,803	672,248	596,428	53,656	22,164
Special items	193,205	208,205	203,920	-	4,285
Total General Support	1,170,730	1,331,325	1,226,070	69,356	35,899
Instruction					
Instruction, administration and improvement	120,788	170,952	166,296	791	3,865
Teaching - regular school Programs for children with handicapping conditions	2,095,299	2,096,776	1,979,402	76,053	41,321
Occupational education	1,261,007	1,284,648	1,130,101	145,431	9,116
Instructional media	167,758	167,758	167,669	-	89
Pupil services	168,251	357,206	274,896	54,947	27,363
	391,967	388,210	336,109	12,755	39,346
Total Instruction	4,205,070	4,465,550	4,054,473	289,977	121,100
Pupil Transportation	489,988	624,710	448,843	7,259	168,608
Community services	-	37,981	37,981	-	-
Employee Benefits	2,641,913	2,420,412	2,382,255	-	38,157
Debt Service					
Principal	1,104,428	1,104,428	1,104,427	-	1
Interest	160,348	160,348	159,514	-	834
Capital outlay	-	-	-	-	-
Total Expenditures	9,772,477	10,144,754	9,413,563	366,592	364,599
OTHER FINANCING USES					
Transfers to other funds	10,000	62,435	62,435	-	-
Total Other Financing Uses	10,000	62,435	62,435	-	-
Total Expenditures and Other Uses	\$ 9,782,477	\$ 10,207,189	\$ 9,475,998	\$ 366,592	\$ 364,599
Net change in fund balance			136,344		
Fund balance - beginning			3,039,691		
Fund balance - ending			<u>\$ 3,176,035</u>		

MORRIS CENTRAL SCHOOL DISTRICT

Schedule of Funding Progress - Other Post-Employment Benefits
For the year ended June 30, 2017

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2017	\$ 1,815,919	\$ 664,694	36.6%	\$ 9,822,933
6/30/2016	\$ 1,734,980	\$ 635,766	36.6%	\$ 8,671,708
6/30/2015	\$ 2,016,692	\$ 727,183	36.1%	\$ 7,572,494
6/30/2014	\$ 1,925,966	\$ 672,631	34.9%	\$ 5,149,103
6/30/2013	\$ 1,843,026	\$ 709,145	38.5%	\$ 5,029,649
6/30/2012	\$ 1,941,032	\$ 602,946	31.1%	\$ 3,895,768
6/30/2011	\$ 1,848,703	\$ 638,600	34.5%	\$ 2,557,682
6/30/2010	\$ 1,754,106	\$ 406,527	23.2%	\$ 1,347,579

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)
7/1/2016	\$ -	\$ 19,462,872	\$ 19,462,872	n/a	\$ 3,296,273	590%
7/1/2015	\$ -	\$ 18,513,493	\$ 18,513,493	n/a	\$ 3,473,864	533%
7/1/2014	\$ -	\$ 20,259,614	\$ 20,259,614	n/a	\$ 3,198,496	633%
7/1/2013	\$ -	\$ 19,202,730	\$ 19,202,730	n/a	\$ 3,140,706	611%
7/1/2012	\$ -	\$ 18,271,101	\$ 18,271,101	n/a	\$ 3,065,330	596%
7/1/2011	\$ -	\$ 17,841,410	\$ 17,841,410	n/a	\$ 2,395,007	745%
7/1/2010	\$ -	\$ 16,847,980	\$ 16,847,980	n/a	\$ 2,867,435	588%
7/1/2009	\$ -	\$ 15,718,191	\$ 15,718,191	n/a	n/a	n/a

MORRIS CENTRAL SCHOOL DISTRICT

**Schedule of District's Proportionate Share of the Net Pension Liability (Asset)
For the year ended June 30, 2017**

New York State and Local Employees' Retirement System (ERS)	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset)	0.002523%	0.002368%	0.002394%
District's proportionate share of net pension liability (asset)	\$ 237,064	\$ 380,085	\$ 80,868
District's covered-employee payroll	\$ 861,245	\$ 889,610	\$ 706,101
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.5%	42.7%	11.5%
Plan fiduciary net position as a percentage of total pension liability	94.7%	90.7%	97.9%
New York State Teachers' Retirement System (TRS)	6/30/2017	6/30/2016	6/30/2015
District's proportion of the net pension liability (asset)	0.016061%	0.016884%	0.017369%
District's proportionate share of net pension liability (asset)	\$ 172,024	\$ (1,753,692)	\$ (1,934,850)
District's covered-employee payroll	\$ 2,452,598	\$ 2,628,592	\$ 2,565,588
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.0%	-66.7%	-75.4%
Plan fiduciary net position as a percentage of total pension liability	99.0%	110.5%	111.5%

**Schedule of District's Contributions
For the year ended June 30, 2017**

New York State and Local Employees' Retirement System (ERS)	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 108,934	\$ 110,515	\$ 163,595
Contributions in relation to the contractually required contribution	108,934	110,515	163,595
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

District's covered-employee payroll	\$ 861,245	\$ 889,610	\$ 706,101
Contributions as a percentage of covered-employee payroll	12.6%	12.4%	23.2%

New York State Teachers' Retirement System (TRS)	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contribution	\$ 328,640	\$ 444,592	\$ 437,217
Contributions in relation to the contractually required contribution	328,640	444,592	437,217
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

District's covered-employee payroll	\$ 2,452,598	\$ 2,628,592	\$ 2,565,588
Contributions as a percentage of covered-employee payroll	13.4%	16.9%	17.0%

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Supplementary Information

MORRIS CENTRAL SCHOOL DISTRICT

Schedule of Change from Original Budget to Revised Budget
And Section 1318 of Real Property Tax Law Limit Calculation
For the year ended June 30, 2017

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 9,782,477
Add: Prior year's encumbrances	210,865
Original budget	<u>9,993,342</u>
Budget revision:	
Transfers from reserves	<u>213,847</u>
Final budget	<u>\$ 10,207,189</u>
Next year's budget is a voter approved budget of	<u>\$ 9,694,691</u>

Section 1318 of Real Property Tax Law Limit Calculation

Subsequent year's voter-approved budget of	\$ 9,806,982
Maximum allowed percentage	4%
Limit of unexpended surplus funds	<u>\$ 392,279</u>
General fund balance	
Restricted	\$ 2,373,376
Assigned	404,093
Unassigned	<u>398,566</u>
Total governmental - general fund balance	<u>\$ 3,176,035</u>
Less:	
Restricted not subject to the law	(2,373,376)
Appropriated for subsequent year's budget in assigned	(37,500)
Encumbrances included in assigned	<u>(366,593)</u>
	<u>(2,777,469)</u>
General fund balance subject to limit	<u>\$ 398,566</u>
Calculated actual percentage	<u>4.064%</u>

The portion of general fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance. Restricted fund balance is not subject to the law.

MORRIS CENTRAL SCHOOL DISTRICT

**Schedule of Project Expenditures-
Capital Projects Fund
For the year ended June 30, 2017**

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Bus purchases	\$ 347,452	347,452	54,033	293,419	347,452	-
Building Project	2,240,610	2,210,610	1,926,850	244,328	2,171,178	39,432
	<u>\$ 2,588,062</u>	<u>2,558,062</u>	<u>1,980,883</u>	<u>537,747</u>	<u>2,518,630</u>	<u>39,432</u>

PROJECT TITLE	Methods of Financing				Fund Balance 6/30/2017
	Proceeds of Obligations	Federal and State Aid	Local Sources	Total	
Bus purchases	\$ 347,452	-	-	347,452	\$ -
Building Project	1,581,972	311,908	357,591	2,251,471	80,293
	<u>\$ 1,929,424</u>	<u>311,908</u>	<u>357,591</u>	<u>2,598,923</u>	<u>\$ 80,293</u>

MORRIS CENTRAL SCHOOL DISTRICT
Invested in Capital Assets, Net of Related Debt
June 30, 2017

Capital assets, net		\$ 10,876,328
Add:		
Cash designated for capital projects	\$ 96,861	
Cash designated for debt service	<u>313,768</u>	410,629
Deduct:		
Serial bonds	\$ 4,290,000	
Statutory bonds	<u>498,202</u>	<u>(4,788,202)</u>
Investment in capital assets, net of related debt		<u><u>\$ 6,498,755</u></u>

Governmental Audit Reports

**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
Morris Central School District
Morris, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morris Central School District, New York State as of and for the year ended June 30, 2017, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morris 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 Morris Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Morris 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morris Central School District's financial statements are free of 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.

Cwynar, Company

October 11, 2017
Norwich, New York

Extra Classroom Activity Funds

Cwynar & Company

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Independent Auditors' Report

BOARD OF EDUCATION
Extraclassroom Activity Funds of
Morris Central School District

We have audited the accompanying financial statements of the Extraclassroom Activity Funds of Morris Central School District (a New York State School District), which comprise the statement of assets, liabilities, and fund balance—cash basis as of June 30, 2017 and the related statement of cash receipts and disbursements—cash basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Extraclassroom Activity Funds of Morris Central School District as of June 30, 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Norwich, New York
October 11, 2017

MORRIS CENTRAL SCHOOL DISTRICT

Extra Classroom Activity Funds
Statement of Assets, Liabilities, and Fund Balance – Cash Basis
June 30, 2017

ASSETS

Cash in checking	\$ 38,374
	<u>38,374</u>

LIABILITIES AND FUND BALANCE

Sales tax payable	1,132
Fund balance	<u>37,242</u>
	<u>\$ 38,374</u>

MORRIS CENTRAL SCHOOL DISTRICT

Extra Classroom Activity Funds
Statement of Cash Receipts and Disbursements
For the year ended June 30, 2017

<u>Activity</u>	Fund Balance			Fund Balance
	June 30, 2016	Receipts	Disbursements	
Athletic Club	\$ 8,066	1,582	2,181	\$ 7,467
Student Council	4,815	4,193	1,233	7,775
Awards & Recognition	1,653	321	309	1,665
PARP	2,371	1,691	2,137	1,925
Safety Patrol	215	19,762	19,739	238
Honor Society	830	758	1,146	442
Spanish Honor Society	266	131	-	397
Class of 2016	130	-	130	-
Class of 2017	2,223	12,965	14,907	281
Class of 2018	2,494	534	1	3,027
Class of 2019	841	835	447	1,229
Class of 2020	212	-	-	212
Class of 2021	311	-	-	311
Class of 2022	-	216	-	216
Outdoor Club	1,301	-	-	1,301
Ski & Board Club	7	800	800	7
Marching Band	2,042	-	-	2,042
Spring Musical	4,860	4,210	4,665	4,405
SADD	1,112	-	-	1,112
Sales tax	945	2,053	1,866	1,132
Drama Club	754	1,489	1,770	473
Spanish Club	256	5,814	5,455	615
Yearbook Club	-	14,991	12,889	2,102
Totals	<u>\$ 35,704</u>	<u>72,345</u>	<u>69,675</u>	<u>\$ 38,374</u>

MORRIS CENTRAL SCHOOL DISTRICT

**Extra Classroom Activity Funds
Note to the Financial Statement**

Note 1 ACCOUNTING POLICY

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Morris Central School District. Consequently, such transactions are not included in the financial statements of the School District.

The accounts of the Extraclassroom Activity Fund of the Morris Central School District are maintained on a cash basis, and the statement of cash receipts, disbursements and transfers reflects only cash received, disbursed, and transferred between funds. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.